هكذا من الأصل

WEATHER—PARIS: Monday, possible ... Temp. 14-8 (57-46). Tuesday, variable. ...: Monday, possible showers. Temp. 15-... Tuesday, variable. ROME: Monday, ... Temp. 18-11 (64-52). NEW YORK: Monday, ...clear. Temp. 14-9 (57-48).
ADDITIONAL WEATHER—COMICS PAGE.

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

Austria	12 S.	Lebanon	[illegible]
Belgium	20 B.Fr	Luxembourg	20 L.Fr
Denmark	3.50 D.Kr	Morocco	2.50 Dr
Eire	20 P	Netherlands	1.50 Flor
Finland	2.50 F.M	Nigeria	[illegible]
France	2.50 F	Norway	3 N.Kr
Germany	1.60 D.M	Portugal	15 Esc
Great Britain	20 P	Spain	40 Ptas
Greece	18 Drs	Sweden	2.50 S.Kr
India	Rs 7	Switzerland	1.70 S.Fr
Iran	50 Rials	Turkey	T.£ 8
Italy	400 Lire	U.S. Military (Eur.)	[illegible]
Israel	I.£ 5.00	Yugoslavia	15 D
Kenya	Sha 7		

No. 29,464 — PARIS, MONDAY, OCTOBER 31, 1977 — Established 1887

...Killed, 40 Injured ...hen Gandhi Foes ...lash With Police

...ADRAS, India, Oct. 30 (Reuters).—Two persons were killed ...at least 40 injured when police opened fire today to disperse ...demonstrating against former Indian Prime Minister Indira ...dhi.

...Mrs. Gandhi, 59, now on an extensive political comeback cam-... arrived in Madras after the shootings to address a public ...ing.

...She also met opposition in the streets in two other cities yesterday during a turbulent weekend visit to the south Indian state of Tamil Nadu. Madras is its capital.

Police battled demonstrators for more than two hours in the Madras suburbs of Guindy and Saidapet. Tamil Nadu police said they fired on the crowds twice after failing to disperse them with tear gas and baton charges.

2 Trains Set Afire

The demonstrators later set two trains ablaze at Saidapet railroad station. Five cars were destroyed and train services held up for several hours. A police truck and two other vehicles were also set afire by the crowds.

Mrs. Gandhi had a brush with demonstrators yesterday when her motorcade was attacked at Madurai, 300 miles south of Madras. She was unhurt but several of her supporters were injured in a hail of stones, bottles and shoes.

Police resorted to tear gas and arrested more than 200 persons to break up a demonstration against Mrs. Gandhi yesterday in the nearby city of Tiruchirappalli.

One of the organizers behind the demonstrations, police said, was the Dravidian Welfare League, which governed Tamil Nadu for nine years until it was dismissed by Mrs. Gandhi in January last year under her internal emergency laws.

Leaders Detained

Several league leaders, including former Chief Minister Muthuvel Karunanidhi, were temporarily detained during today's demonstrations.

Mrs. Gandhi, swept out of office in a general election last March, has drawn big crowds on her comeback trail and the street violence is not expected to affect

(Continued on Page 2, Col. 5)

...mates Riot ...or Amnesty ...Barcelona

...our Jail Uprising ...ed by Criminals

...RID, Oct. 30 (UPI).—...police firing smoke ...and rubber bullets put ...a new prison riot by crimi-... who want to be amnestied. ...he uprising at the Barcelona ...ncial jail left 10 inmates ...ed and all of the cell blocks ...ered damage from fire or ...causes, the prison direc-... ...lem Zalacain, said. At least ...policemen also were re-... hurt.

...Zalacain said that some ...ers attacked the cell of a ...of rightist extremists who ...accused of a fatal bombing. The police needed eight hours ...restore order after the dis-...

...ion elections are a strug-... for control of Spain's ...t. Page 5.

...nce by several hundred ...ers began last night at the ... a movie.

...ganized groups of common ...nals are demanding the ...kind of amnesty that has ...thousands of political pris-... since the late Generalis-... Francisco Franco died two ...ago.

...turbances also erupted on ...town Barcelona streets last ... The police used their anti-...quipment to disperse groups ...ths they said were anar-... and leftist extremists. ...youths flipped parked cars ...ses around in the streets ...m barricades and hurled ...f fire bombs.

...dultery Law Changed

...government announced ...day what amounted to an ...ty for Spaniards still im-...ed under a Franco-era adul-...w. Feminists have made ...n of the statute a rallying ...because it penalizes wives ...not husbands for simple ...ry.

...stice Ministry spokesman ...esterday he did not know ...many persons convicted of ...tery were still in jail but ...the number was "probably ...than a dozen," mostly—if not ...women.

...ill that will "decriminalize" ...ry got the government's ...al during a Cabinet session.

...nwhile, the newly legalized ...party opened a congress ...drid with a keynote speech ...e monarchist faction's lead-... Prince Carlos Hugo de Bor-... Parma. He returned to ... Friday after nine years in ...

...rd Warns U.S. ...Relations With ...ocommunists

...TON, Mo., Oct. 30 (AP).—... President Gerald Ford ...terday that, while a new ... of Communist control ...ns Western Europe, some ...ers of the Carter adminis-...are suggesting that U.S. ...ns with France or Italy ...not be hampered if Com-... join those governments.

...e in authority have subtly ...d the idea that the United ... would have little difficulty ...ting along with Commu-...holding key ministries in ...overnment of, say, Italy ...rance," Mr. Ford said.

...think I reflect the over-...ing will of the American ...e when I say that such an ...ssion throughout America is ...y false. This will of our ...must be manifested in the ...of its leaders. Any am-...ity by them leaves the im-...that we expect the Com-...ts to eventually win." The ... House declined comment.

...aking at Westminster Col-... Mr. Ford cited the firm ...e against Communism taken ...Winston Churchill when the ... British prime minister ... his famous Iron Curtain ...h here in 1946.

"...m the shores of the ...ltic to those of the Atlantic, ...specter of Communist con-...threatens over the countries of ...ern Europe," Mr. Ford said, ...raphrasing Churchill's speech.

United Press International.

THIEF STOPPED—An unidentified St. Louis woman first wrestles (left) with a purse snatcher, then (right) bites his wrist in an attempt to drive him off. The UPI photographer who took the photo in a parking lot said the woman left in her car before he could ask her name. Attacker fled, and police haven't received a complaint.

Alleged Blackmail Bid Is Protested

U.S. Says KGB Intimidated Envoy

By Dan Fisher

MOSCOW, Oct. 30.—The U.S. Embassy here has delivered an unusually strong protest to the Soviet Foreign Ministry over an alleged attempt to blackmail a senior U.S. diplomat into working for the KGB, an embassy spokesman said yesterday.

A knowledgeable source called the incident the most serious harassment of a U.S. diplomat here "in recent times." The alleged episode took place in Tbilisi, the capital of Soviet Georgia, on October 16.

According to the protest note, a man identifying himself as a representative of the KGB forced himself into the room of Constantine Warvariv, deputy chief of the U.S. delegation to a United Nations Educational, Scientific, and Cultural Organization conference on environmental education.

The man, who called himself "Ivan Ivanovich," produced a folder full of biographical material on Mr. Warvariv that he claimed implicated the diplomat as a Nazi collaborator during Germany's occupation of the Ukraine from 1941 to 1943, the protest said. "Ivanovich" reportedly threatened to make the documents public unless Mr. Warvariv cooperated with Soviet intelligence "by providing information on U.S. diplomats working at various American embassies."

Mr. Warvariv insisted that the man leave his room but he refused, according to the protest note. Later, the intruder was joined by a second man. Mr. Warvariv "rejected their crude attempts at blackmail" but the two remained in his room for three hours, until about 4 a.m., the note stated.

The embassy spokesman said that the incident was "a heavy-handed recruitment effort directed against a U.S. diplomat in clear violation of his diplomatic immunity."

The 500-word protest, which was delivered to the Foreign Ministry on Oct. 19, called it "a blatant violation of the Vienna convention on diplomatic relations, unacceptable harassment of a U.S. diplomat and gross interference by the Soviet hosts with the proper activities of a U.S. delegate to a major international conference."

The incident comes at a time when Soviet-U.S. relations appear to have been improving after having deteriorated earlier this year. The improvement has been marked by reports of substantial progress toward a new strategic arms limitation agreement and speculation about a possible summit meeting, perhaps before the end of the year.

Rebuke Asked

The protest note said that incidents like the one in Tbilisi "can only serve to retard the growth of mutually beneficial relations between the U.S.S.R. and the United States." The embassy formally asked the ministry "to insure that those Soviet individuals involved be speedily brought to account and to take immediate measures to prevent the repetition of such outrageous incidents."

News of the incident leaked out when the semi-official Soviet news agency Novosti released an article to Western news organizations here containing the collaboration allegations against Mr. Warvariv. The U.S. Embassy then released the contents of the protest note. The spokesman said that the Foreign Ministry had delivered its own note last Wednesday. The Soviet communication "did not address the substance of our protest but it made charges similar to those contained in the Novosti piece," he said.

The spokesman said that the

(Continued on Page 2, Col. 4)

Health Accord Finally Reached

Psychiatric Charges Divide U.S.-Soviet Talks

By Bernard Gwertzman

WASHINGTON, Oct. 30 (NYT).—A sharp dispute between Soviet and U.S. officials over charges that Moscow had used psychiatry to repress its political dissidents threatened to disrupt the official health research agreement between the two countries last week. But the two countries subsequently agreed to a statement that seemed to smooth over the discord.

The controversy arose during the yearly review meeting in Washington of the five-year-old Soviet-U.S. Joint Committee on Health Cooperation.

In a closed session Wednesday of the subcommittee on schizophrenia, Dr. Dmitri Venediktov, the deputy Soviet minister of health, demanded that the U.S. side join in a statement summing up last week's talks that would in effect condemn the widespread Western and U.S. criticism of Soviet psychiatrists for allegedly helping incarcerate dissidents.

According to several administration officials who were present, Dr. Venediktov was particularly angered by the decision last month in Honolulu by the general assembly of the World Psychiatric Association to censure the Soviet Union for "the systematic abuse of psychiatry for political purposes in the U.S.S.R."

The dispute over the alleged Soviet abuses stems from the charges made by Soviet dissidents and their supporters that many opponents of the government have been sent without trial to mental institutions, in effect incarcerated indefinitely when they were in fact sane. Soviet spokesmen have said that those who were confined were abnormal and in need of care.

The World Psychiatric Association meeting voted by a wide margin to accept an American Psychiatric Association proposal to condemn "the abuse of psychiatry for political purposes" anywhere it occurred. An amendment by the British Royal College of Psychiatrists to condemn specifically the Soviet Union was passed by a narrow margin.

Dr. Venediktov wanted the final protocol of the review meeting to note that the Soviet Union regarded the attacks on Soviet psychiatry as unjustified slander and for the United States to dissociate itself from such criticism.

"They implied they would stop the psychiatric exchange," one of those present said on Friday. "In fact, they used a blunderbuss technique and implied they might stop the whole exchange program."

The U.S. side in the schizophrenia subcommittee, headed by Dr. Bertram Brown, was reportedly surprised by the vehemence of the Soviet position and said that political matters should not be included in a scientific document.

"The statement the Soviets wanted to include had no place in such a document which was supposed to be limited to scientific matters," Dr. Brown said Friday in New York.

Because of the implied Soviet

(Continued on Page 2, Col. 3)

Ten Reportedly Executed in China

ROME, Oct. 30 (UPI).—Ten persons have been executed in Peking for common crimes, the Italian news agency ANSA reported yesterday from Peking.

It quoted reliable sources as saying that the executions were reported in an official announcement affixed in a place that is usually inaccessible to foreigners.

ANSA said the 10 were convicted of crimes ranging from murder to rape and aggravated theft. It said this raised the number of known death sentences in China to 98 in the last eight months.

Italy Brakes Fiat 500 in Power Play

ROME, Oct. 30 (Reuters).—The government yesterday issued complex new speed laws that will prohibit one of Italy's most popular cars, the Fiat 500, from exceeding 90 kilometers an hour.

The laws, which become effective Tuesday, provide a maximum speed for each car depending on the capacity of its engine. The limit for cars with up to 600-cubic-centimeter engines—such as the Fiat 500—will be 90 kilometers an hour on superhighways.

The previous superhighway limit for all automobiles was 130 kilometers an hour. Cars with more than 1300-cubic-centimeter engines, however, will now be free to go 140 kilometers an hour.

Algeria Fears Attack

8 Polisario Members Expelled By France as Tension Rises

PARIS, Oct. 30 (Reuters).—France yesterday expelled eight members of the Polisario Front, the Western Saharan guerrilla group that is believed to have seized eight French hostages in Mauritania.

Families of the captives, meanwhile, sent two lawyers to Algeria, hoping to open negotiations with Polisario leaders. And Algeria, urging negotiations, unofficially warned France not to try using force to free the French hostages, seven men and a woman. The official Algerian news agency reported that Polisario Front leader Mohammed Abdelaziz also was prepared to negotiate.

French Defense Minister Yvon Bourges has said that military action to free the hostages has not been ruled out. French authorities believe the eight are being held at Polisario bases near the Algerian town of Tindouf.

Informed sources said that the French Army's marine parachute regiment has been on full alert since Wednesday, when two Frenchmen were abducted in Mauritania. The six other captives disappeared in May.

The French Friends of the Saharan Republic organization said yesterday that 1,600 French troops left France Wednesday "for an unknown destination." The French Defense Ministry denied that troops had left France and described the statements made yesterday at the press conference as "inventions."

The Algerian government-inspired newspaper El Moudjahid yesterday warned France that "the Algerian people will not let themselves be intimidated." The newspaper said that too much Algerian blood had already been spilled by France, which once ruled Algeria.

Message from Giscard

ALGIERS, Oct. 30 (UPI).—French Ambassador Guy de Commines gave President Houari Boumedienne a message today from French President Valéry Giscard d'Estaing concerning the situation in the Western Sahara.

Caransa Family Urges Abductors To Make Contact

By Paul Hofmann

AMSTERDAM, Oct. 30 (NYT).—The family of Maurits Caransa, the multimillionaire businessman who was kidnapped in the center of Amsterdam early Friday morning, publicly appealed today to his abductors to establish contact with his relatives.

[The appeal was issued as an anonymous telephone caller claiming to speak for the kidnappers demanded freedom for alleged terrorist Knut Folkerts, all South Moluccans held in Dutch jails and Japanese Red Army member Kozo Okamoto, who is held in Israel, UPI reported. The editor of De Telegraaf, a newspaper, quoted the caller as saying that unless the demands were met "we will tell you where you can find Caransa's body." Both the editor and a police spokesman said they were not inclined to take the call seriously.]

In a statement issued through the Dutch news agency ANP, the Caransa family noted that none of the messages purporting to come from the kidnappers had so far appeared to be "serious."

The family called urgently on the kidnappers "or those who are in any way at all responsible for the abduction to make genuine contact."

Motives Sought

At the same time, the police indicated they had not yet determined whether the kidnapping had been the work of terrorists or of ordinary criminals.

The police said that they had no clue as to the whereabouts and condition of Mr. Caransa, 61, a real estate developer who is reputed to be one of the wealthiest men in the Netherlands.

A police spokesman said that neither the authorities nor the Caransa family had received a written demand from the kidnappers with evidence that they were holding the missing man.

Fears that the realtor was in the hands of West German terrorists or their Dutch associates were caused by an anonymous telephone call to the evening newspaper Het Parool of Amsterdam 10 hours after he was seen being pushed into a waiting red car by four or five men after a brief struggle at 1:15 a.m. Friday.

The abduction took place in front of the Amstel Hotel, an Amsterdam landmark, when Mr.

(Continued on Page 2, Col. 8)

Plane Seized In Vietnam; 2 Are Killed

Singapore Holds Four in Hijacking

SINGAPORE, Oct. 30 (AP).—Four armed Vietnamese men who killed two crewmen aboard a Vietnamese airliner and forced it to land in Singapore were being interrogated by police today, the Home Affairs Ministry said.

The Vietnamese DC-3 returned to Ho Chi Minh City this morning with 31 passengers, 3 crew members and the victims. An injured crewman and a passenger who refused to go back remained in Singapore, the ministry said.

The ministry gave no details about the hijackers' motives or identities. They surrendered peacefully, officials said.

The government said that they would "be dealt with in accordance with international law and conventions governing such matters."

The hijackers killed the radio operator and flight engineer and seriously wounded a steward.

The government said that the passenger who refused to return was a 26-year-old bachelor who asked to stay until he could find another place to go. "He was not pressed to leave and inquiries will be made to ascertain where he wants to go," the ministry said.

Gun, Knives

The government said that one hijacker had a .38-caliber revolver and the others had knives. The pilot said that he heard shots 15 minutes after takeoff yesterday morning from Ho Chi Minh City for Phu Quoc Island. The two crewmen had been slain.

The plane then flew to Thailand but was not allowed to stay. A Thai military spokesman said that "confusion and trouble" might have resulted between Vietnam and Thailand if the Thai government had granted asylum to the four. The Thais provided food, water and fuel and the plane left more than two hours later.

Thailand and Vietnam have had generally poor relations since the Communist victory in southern Vietnam in 1975, but the military leaders who staged a coup in Bangkok on Oct. 20 have said that they would try to improve relations with the Hanoi government.

Singapore has no diplomatic relations with Vietnam but observers here have suggested that the government would not want to offend Hanoi by granting asylum to hijackers who had killed.

The government said that on leaving Thailand the plane was ordered to proceed to any airport in Malaysia but that the destination was changed to Singapore.

Since the Communist victory, thousands of Vietnamese refugees who came to Singapore in boats have been helped with food and fuel to leave this tiny island. Only about 100 fishing families were allowed to settle here, mainly to boost the rapidly declining fishing community.

Arabs Tighten Up Lebanon Security

BEIRUT, Oct. 30 (Reuters).—A strong clampdown by Arab peacekeeping troops appears to have halted a recent wave of sectarian killings in Lebanon.

Soldiers of the Arab Deterrent Force set up scores of roadblocks after at least 15 persons were killed in random kidnappings and shootings in the Beirut and Byblos regions this month.

An official communiqué said that an undisclosed number of persons had been arrested in the last two days on charges of murder, robbery and illegal possession of weapons.

22 Die in Pakistan

RAWALPINDI, Pakistan, Oct. 30 (UPI).—At least 22 persons were killed in flash floods 200 miles northwest of here, officials said here yesterday.

'Banning Law' Regarded as Most Perverse Curb on Apartheid Foes

By Jack Foisie

JOHANNESBURG, Oct. 30.—Of the five South African laws under which white or black citizens can be held without charge—and held indefinitely without trial—the one known as "the banning law" seems the most perverse.

For it makes the subject his own jailer and his home becomes his prison.

Banning is a form of punishment meted out most often to prominent critics of the government's racial discrimination policies. Critics who are less well known are usually thrown into prison without trial.

In the recent roundup of more than 50 persons alleged to be "endangering the security of the state or maintenance of public order," the country's most prominent black editor, Percy Qoboza, was jailed, while the country's most persistent anti-government white editor, Donald Woods, was banned.

James Kruger, who as minister of justice, police and prisons is the most powerful man in the government after Prime Minister John Vorster, has never explained why he puts some people in jail and others under house arrest.

There are presently 130 banned persons in South Africa, most of them limited to associating only with their families for a period of five years. According to a Ministry of Justice official, 36 of them are white and 94 are black.

The official said he was unable to provide the number of persons imprisoned without trial. But a well-informed unofficial source said the number totaled 662 at the end of last month. At least 170 of them were said to be high school or university black students. Ninety-seven of them have been detained for more than a year.

Serving an open-ended prison term is more severe than being restricted to a specific area by day and to one's house by night. But a sizable amount of psychological stress is built into the banning order, which seems in-

AP.

Donald Woods

AP.

Beyers Naude

tended to break the will of a man who is mentally active.

Donald Woods, 43, has been banned for the next five years. He cannot leave the city of East London, on the Indian Ocean coast, without special permission.

Mr. Woods, editor of the Daily Dispatch, the local paper there, can no longer edit the paper. He cannot even enter the building. A syndicated South African columnist, he can no longer write for anyone. Nothing that he has written can be quoted, at least not in South Africa.

He cannot attend public gatherings, whether political or social, and this appears to preclude him from attending sports events, even a cricket match in which his sons are playing.

The nine-page banning order that outlines what he cannot do says he cannot talk to more than one person at a time, except his wife and five children. If he has a visitor in his home, he cannot talk to him in the presence of his family.

Barred From Schools

He cannot enter a school or factory or any living area of blacks, coloreds (mixed-race) or Indians.

Apparently fearing that Mr. Woods might try to flee the country—at least 21 banned persons have done so in the last 18 months—the authorities have forbidden him to enter any harbor area.

He cannot enter any court unless he is applying for temporary relaxation of his banning order, or is a witness or the accused in a civil trial.

Mr. Woods is testing this. He wants to be the plaintiff in a suit against Mr. Kruger. He says that the minister of justice defamed him by alleging that Mr. Woods was supporting violent protest in South Africa.

Mr. Woods might get into even deeper trouble if he were quoted, so his wife, Wendy, does the talking for publication.

"Life is going to change drastically for both of us," she said. "It will be nice for me to have Donald at home but, of course, I wouldn't have chosen these circumstances."

Some banned people seem to adjust better than others. Dr. Beyers Naude, 62, is accustomed to harassment and his banning last week will give him, according to his wife, time for reflection and study, the opportunity to gain a clear conception of the future.

Dr. Naude is either revered or

(Continued on Page 2, Col. 1)

Sanctions Action Assailed

Opposition in South Africa Joins in Criticism of U.S.

JOHANNESBURG, Oct. 30 (Reuters).—Normally anti-government newspapers joined today in condemnation of proposed international sanctions against South Africa.

While Afrikaans-language newspapers maintained their general protest against the moves, the Sunday Times denounced "Washington's reckless meddling" and the Sunday Express, also English-language, came out against "extravagant foreign belligerence."

They were commenting on President Carter's pledge of support for a mandatory arms embargo against South Africa and moves at the United Nations to introduce further sanctions.

The comments followed an attack on the Carter administration yesterday by Colin Eglin, leader of the relatively liberal Progressive Federal party, which is likely to emerge as the main opposition after the Nov. 30 election.

Mr. Eglin said at a rally here: "Without facing up to the realities of the situation in South Africa, without giving mature consideration to the options for change, the Carter administration rushed in where angels would have feared to tread."

Mr. Eglin said Mr. Carter's administration gave the impression that it was "more concerned with posturing than reform . . . more concerned with punishing South Africa than helping it to change."

This would make it more difficult for South Africa to find a peaceful solution to its race problems, Mr. Eglin said.

Defense Minister Pieter Botha, speaking last night, said of the proposed arms ban: "I don't know who they are trying to bluff. What we cannot make in South Africa we will still get from the world."

The Sunday Times said a finding by the UN Security Council that South Africa is a threat to world peace—a prerequisite for mandatory UN sanctions—"would be a cynical and grotesque perversion of the law and the facts."

While deploring injustices that riddled society here, the newspaper said it was utter nonsense to say these threatened international order.

"The latest U.S.-led campaign is but an extension of Mr. Carter's meddling obsession with South Africa and one in which the main Western democracies are in danger of being caught up.

Nuclear Fuel Ban

WASHINGTON, Oct. 30 (UPI).—The State Department is considering banning the shipment of all nuclear fuel to South Africa, in addition to a total ban on military equipment sales and other measures, officials said yesterday.

They said shipments of highly enriched nuclear fuel to South Africa already have been halted because of the possibility that weapons-grade fuel is being stockpiled. Officials said a sufficient quantity of the 90-per-cent pure uranium-235 could produce a nuclear explosive.

The officials said the question now being considered is whether the United States will give South Africa any of the nuclear fuel it has requested, including some low-grade uranium fuel rods which would be used in two large nuclear power plants being built by a French consortium.

At the UN, Andrew Young, the U.S. ambassador, said today he personally would favor an absolute ban on the shipment of nuclear fuel to South Africa but that it was too late for that to be a realistic possibility.

In an interview on ABC television "Issues and Answers," Mr. Young said South Africa had achieved "nuclear potential the extent of which we're not fully able to judge."

"To cut things off now would only encourage separate development of South Africa's own nuclear potential," he said.

Banning Law In S. Africa

(Continued from Page 1)

reviled, depending on which segment of South African society is asked about him. For the large number of whites who were brought up on the Calvinist doctrine of the Dutch Reform Church, Dr. Naude is a heretic.

A prominent pastor of that church, honored in the Netherlands, a onetime member of a secret and conservative white South African society known as the Broederbond, Dr. Naude rejected his past associations in 1960 after police killed 56 blacks during a black demonstration in Sharpeville.

He felt his church did not preach the doctrine of equality and dignity for all men. He helped found the Christian Institute, which has been supported by liberal churchmen of many faiths. In a theological way, the institute undertook an unrelenting crusade against the government's racial discrimination practices known as apartheid.

Last week, the Christian Institute was outlawed and its assets seized by the government.

© Los Angeles Times.

JOINING IN THE FUN—Malawi President Hastings Banda falls into the proper beat with women dancers who display his portrait on their dresses. They were taking part in ceremonies at the new capital of Lilongwe.

Associated Press.

Psychiatric Charges Divide U.S.-Soviet Talks

(Continued from Page 1)

threat to withdraw from one of the most publicized of the Soviet-U.S. agreements signed in 1972 at the height of détente, the State Department and the Department of Health, Education and Welfare were alerted.

Deputy Secretary of State Warren Christopher told the U.S. side to stand firm, a State Department official said, against any statement going along with the Soviet demand.

"To do less would make a mockery of our whole human rights concerns," a State Department official said. HEW gave similar support to the U.S. side.

Agreement Made

On Friday, however, an agreement was reached between the two sides. Dr. Venediktov and Dr. Julius Richmond, assistant secretary of HEW for health, signed a memorandum of the session. The language on the schizophrenia field was deliberately bland. "Satisfactory progress was achieved and work should continue in this complex area," the statement said.

"Both sides expressed views as contained in the proceedings concerning negative nonscientific factors affecting the cooperation in this area, and agreed to continue as in the past on the basis of mutual respect and trust between the participating scientists of both countries," it concluded.

The other areas covered by the joint committee included cancer, heart diseases, environmental health, arthritis, influenza and other acute respiratory diseases.

There is also a special project on artificial heart research. The memorandum noted that at present there are 75 projects under way in all areas, and, in the last five years, 500 U.S. scientists have visited the Soviet Union and 400 Russians have come here.

U.S. Protests Alleged Attempt By Russia to Blackmail Envoy

(Continued from Page 1)

embassy was not in a position to answer questions about the Soviet allegations concerning Mr. Warvariv. The diplomat has returned to Unesco headquarters in Paris and could not be reached for comment.

Among the "incriminating documents" that the KGB men produced in Mr. Warvariv's Tbilisi hotel room was a letter allegedly written by the diplomat's deceased father, purportedly implicating him in "Nazi collaborationist activities," according to the protest note. Mr. Warvariv "immediately identified the letter as a forgery," it added.

Diplomatic sources here speculated that the Russians are now trying to turn a botched espionage effort into a propaganda weapon to use against U.S. attacks on human rights violations here.

The Novosti article "looks like a sour grapes thing because of what they couldn't do to him in Tbilisi," a source said. The article contended that the fact that "a Nazi criminal" holds "so high a post in the Carter administration and represents the United States in one of the most authoritative international organizations clearly shows how much those who capitalize politically on human rights care for them in reality."

Timing Odd

The timing of the article and the Foreign Ministry note to the U.S. Embassy was also curious. The note was not delivered until the day that the Unesco conference ended and Mr. Warvariv had left the country. The Novosti article was distributed late Friday night.

According to the Novosti article, Mr. Warvariv was born in Styden and had lived in Rovno (both in the western Ukraine) during the Nazi occupation. Both cities were part of Poland until Hitler and Stalin divided that country in 1939 and they became part of the Soviet Union. After invading the Soviet Union, the Nazis occupied the area from 1941-1943.

According to information available here, Mr. Warvariv would have been 17 when the occupation began. He will be 53 on Friday.

© Los Angeles Times.

Police Slay Two in India

(Continued from Page 1)

her schedule of nationwide tours.

She has campaigned extensively in northern India in recent weeks and plans to visit the neighboring southern states of Andhra Pradesh and Karnataka early next month.

When Mrs. Gandhi arrived in Madras after the demonstrations, she was greeted with "India Needs Indira" banners. But there were also wall posters saying "Murderer of Democracy, Go Back."

A Victim, She Says

Mrs. Gandhi, in her speeches in Tamil Nadu, has alleged she was the victim of political vendetta by the ruling Janata government. She was arrested and unconditionally released earlier this month on charges of corruption and misuse of power.

She said these charges would be proved false because she had not misused her powers for personal ends.

Political Amnesty Urged in Russia

MOSCOW, Oct. 30 (AP).—Forty Moscow dissidents led by Andrei Sakharov appealed today to the Soviet government to release imprisoned dissidents as part of an expected nationwide amnesty next month.

The appeal, in an open letter to Western journalists, asked that the amnesty apply "without exception to all political prisoners, internal exiles and those in madhouses for political reasons, no matter the charge against them or the length of their term."

The government is expected to declare an amnesty on the 60th anniversary of the Bolshevik Revolution on Friday.

OECD Meeting Set

TOKYO, Oct. 30 (UPI).—The Organization for Economic Cooperation and Development will meet here Nov. 7-9 to discuss increasing shipbuilding orders received by developing nations.

Albanian Quake Cited

BELGRADE, Oct. 30 (Reuters).—A tremor shook northern Albania early today, the Belgrade Seismological Institute reported.

2 Accused Terrorists Arrested in Nicosia

NICOSIA, Oct. 30 (AP).—Two Greek Cypriots, one accused of murder and the other of planting explosives at a British military base on southern Cyprus, have been arrested, the police said yesterday.

The police said that the two were members of the outlawed Eoka-B terrorist organization, which emerged in Cypriot politics in 1970 with the declared purpose of uniting Cyprus with Greece. It was outlawed two years later.

Israel Is Likely To Free Bishop On Papal Plea

JERUSALEM, Oct. 30 (AP).—Israel has told the Vatican, that it probably will release the Most Rev. Hilarion Capucci, the Greek Catholic archbishop of Jerusalem, upon receipt of an expected appeal from Pope Paul VI, government sources said today.

Archbishop Capucci, the ranking clergyman of the 5,000-member Greek Catholic community in Israel, was sentenced to a 12-year prison term in 1974 for smuggling weapons to Arab guerrillas.

Officials confirmed that contacts with the Vatican on his release have been continuing since the Likud government took office four months ago.

Sources said that Prime Minister Menahem Begin was likely to recommend that Archbishop Capucci be pardoned. Israel is awaiting an official letter from the Pope asking for clemency, the sources said.

Marcos Promises Election in May For an Assembly

MANILA, Oct. 30 (Reuters).—President Ferdinand Marcos said today that he would hold elections for a new legislative body by May of next year.

The country's last congress was abolished in 1972 when Mr. Marcos imposed martial law.

President Marcos made the announcement at the end of a two-day session of the Legislative Advisory Council, which he appointed. The council has called for elections next year and has urged the President to hold a referendum on Dec. 17 for a renewed mandate.

President Marcos described the new moves as "an experiment." He said that they would establish the foundation of a new political system peculiar to the Philippines, under which he would retain overriding authority.

The council proposed yesterday that most members of the new assembly should be elected, but that others should be appointed by the President.

Kidnapped Magnate

Caransa—A Runaway Child And Self-Made Millionaire

By Paul Hofmann

AMSTERDAM, Oct. 30 (NYT).—Some time ago Maurits Caransa, the real estate magnate who was kidnapped on Friday, received an offer of 100 million guilders ($42.5 million) for his hotel holdings from a large British group. He turned it down and, when he was asked why, he replied: "What does one do with 100 million?"

Mr. Caransa, whom Amsterdamers familiarly call Maup, did not always exhibit such insouciance toward money.

"Money," he has often said, "is but a tool for me, like a hammer for a carpenter."

A health enthusiast, the 61-year-old businessman went to Romania in September for a checkup and rest cure in that country's internationally advertised medical centers that promise t ostave off the effects of advancing age.

The Amsterdam newspaper De Telegraaf sent a photographer-reporter there to record how one of the wealthiest men in the Netherlands was doing in a Communist vacation spot. Mr. Caransa above all raved about the $1 haircut he had just gotten. "When I go to the bardershop at the French Riviera, it must be $80 to be good," he told the visitor from home.

Mr. Caransa's money was acquired in the 30-year career of a self-made man.

He was born in Amsterdam on Jan. 5, 1916, into an impoverished family whose ancestors were Portuguese Jews. His father had a small trade in coal and paraffin. When the family moved to an offshore island, business did not go well, and little Maup, as he often told later, at times went to bed in the attic without a dinner.

He started working at the age of 12—laundry boy, flower vendor, pushcart peddler, garage attendant, auto mechanic. He also ran away from home and never finished school.

What seemed to attract him most in those days was junkyards. He was not yet 20 when he bought wrecked cars, fixed them up as well as he could and sold them at a profit.

Then World War II broke out and the Nazis occupied the Netherlands. The SS overlooked him in wartime Amsterdam, which Mr. Caransa has attributed in part to his blond hair and blue eyes. "But it's still a mystery to me how I managed to survive," he has said.

His parents and three brothers were deported and never came back. Only a sister survived.

After the war, Mr. Caransa found junkyards of the first magnitude—the U.S. Army surplus depots. He bought and resold trucks and other equipment and soon had enough cash to go into real estate. Characteristically, his first investments were garages.

What came after was a successful venture in Amsterdam's real estate boom. He bought and sold, developed and controlled revenue-producing property—hotels, motels, garages, shopping centers, office buildings and residential complexes.

It is said here, with little exaggeration, that there is no foot of frontage on Amsterdam's Rembrandt Square that Mr. Caransa did not own at some time. He also had the underground parking garage built. Fittingly, the modern Caransa Hotel stands there, flagship of his empire.

For a brief period, Mr. Caransa also owned the venerable Amstel Hotel. The businessman was ambushed by his kidnappers in front of that Amsterdam landmark, on Professor Tulp Square, as he was leaving his twice-a-week bridge game at the exclusive Continental Club to drive his Rolls-Royce to his villa at Vinkeveen, 12 miles south of the city.

Mr. Caransa had no bodyguard and never had thought he needed one. He used to say he had no enemies and was not afraid of anyone.

He did have an electronic alarm system in the Vinkeveen villa for the protection of his wife, Rika, their daughter and their grandchildren.

Mr. Caransa has never shown interest in politics, although he has had squabbles with Amsterdam city officials over zoning laws and public works projects.

During the last few years, Mr. Caransa's rise in business and finance has seemed meteoric. He bought travel bureaus, dabbled in air charter operations and was said to have become a friend of Prince Bernhard, husband of Queen Juliana.

His name also became a household word in sports. He bought racehorses and bankrolled Amsterdam's famous Ajax soccer club.

Mr. Caransa himself saw to it that he got regular physical workouts to keep fit. He never smoked and has shunned str drink. A tweedy dresser, caused envy by his youthful lo and apparent bounce.

The multi-millionaire has been asked what the secret his financial success was. "Simple," he would reply. "You something for four guilders sell it for six. You take the guilders you have earned, make sure you don't spend the

Family Asks For Contacts In Abductio

(Continued from Page 1)

Caransa was leaving a club where he had been pl bridge and was about to to his home at Vinkeveen of the city.

The phone call to Het P was in German. The caller "You are speaking to the Army Faction. We have Ca You will hear from us."

"Red Army Faction" is name by which the surviving rorists of the Baader-M gang want to be known. extremist underground group assumed responsibility for abduction and murder of Ha Martin Schleyer, the president the West German Employers Industry Federations whose was found in the trunk of in Mulhouse, France, on Oct

The first call to the Am dam daily after the Caransa napping was followed by more telephone messages to city's newspapers. Most of calls were quickly recognized deceptive.

The barrage of the telephone messages to the news media apparently not to the author —continued yesterday and Investigators complained that large number of calls that to be checked out, only proved misleading, was hamp ing their efforts to track Caransa and his captors.

Several of the callers said Mr. Caransa would regain freedom only if Mr. Fo were released from jail Netherlands. Mr. Folkerts was arrested in Utrecht 22 after a battle in policeman was killed. wanted by West Germany suspect in various ter crimes, possibly including Schleyer kidnapping.

One of the calls recei newspapers here yesterd last midnight as the deadl an exchange involving M ransa and the imprisoned man.

Earlier yesterday the ment disclosed that Mr. F had been transferred fr Utrecht police barracks more secure prison in Maa The authorities stressed th move was not connected w Amsterdam abduction. M kerts is due to go on tr a murder charge in Decem

Schleyer Criticism Alle

MUNICH, Oct. 30 (UPI) Schleyer criticized the West man government for faili give him proper protection tape-recording made befor murder, a leading oppositio litician said yesterday.

Christian Socialist Union man Franz-Josef Strauss that the recording was del to his partner in the oppo Christian Democratic leade mut Kohl, while Mr. Schleyer a hostage.

Mr. Schleyer stated in recording, apparently made the supervision of his c that the Bonn government been incapable of providin with proper protection, Strauss said.

He said that Mr. Schleye that the government made ous mistakes in security t said led to his capture.

Sadat Arrives In Romania fo Mideast Talks

VIENNA, Oct. 30 (Reut Egyptian President Anwar arrived in Bucharest yester discuss Middle East develop with Romanian President N Ceausescu. After two d talks here, Mr. Sadat plans to Iran and Saudi Arabi

The discussions in the countries are expected to centrate on efforts to rene Geneva talks.

There was speculation th Ceausescu, who met the Eg leader at Bucharest might have a message fo Sadat from Israel.

Romania is the only East pean country that did not relations with Israel after 1967 Middle East war. In Israeli Prime Minister Men Begin went to Bucharest first foreign visit after his the United States.

Mr. Sadat had planned Yugoslavia after leaving Ro but the visit had to be ca because President Tito dered by his doctors to r

Soviet A-Tests Repor

WASHINGTON, Oct. 30 —The Soviet Union explode nuclear device in Siberia the U.S. Department of E said yesterday.

Canada Aide in Spain

MADRID, Oct. 30 (UPI).—Canadian External Affairs Minister Donald Jamieson arrived here today for an official visit. He will meet King Juan Carlos and Premier Adolfo Suarez.

News Analysis

Social Security Bill Reflects Rise in U.S. Aged, Retirees

By Spencer Rich

WASHINGTON, Oct. 30 (WP). —The Social Security tax increase approved last week by the House of Representatives would, if enacted, be one of the largest peacetime tax increases in U.S. history, rivaled in recent years only by the wartime levies for Korea and Vietnam.

The House bill would add an estimated $208 billion to the combined taxes of workers and employers during the next 10 years, an dmore thereafter. That is in addition to sizable tax increases already scheduled under present law. It works out to an average of $10 billion a year in extra taxes on employers and employees.

Most of this money would flow from younger workers to older retirees. In that sense, the bill is a first installment on the painful inter-generational politics that the United States has been warned to expect as the population ages and the number of retirees rises.

The emphasis last week was on the effect the bill would have on higher-income workers; those at the highest income levels would have their Social Security taxes tripled in the next 10 years. It went almost unnoticed that Social Security taxes also will rise 21 per cent for the average and poorest U.S. workers.

Percentage Would Rise

The rates they pay would rise under the bill from this year's 5.85 per cent to 7.1 per cent by 1986, and go still higher later. For many, Social Security taxes have already surpassed what they pay in federal income taxes. The bill would accelerate that process.

While House members found it politically painful to vote such taxes, they also found it painful to contemplate the alternative—a drying-up of the Social Security trust funds and an eventual reduction in the benefits to 33 million persons—one of every seven.

"We can't let the old people down," said the House Social Security subcommittee chairman, James Burke, D-Mass., when Rep. Barber Conable, R-N.Y., Rep. William Steiger, R-Wis., and others warned that the tax increases would be a "staggering load" for business and employees.

The House further eased the pain by deferring most of the contemplated tax increases until after the next election, and hopefully also after the economy recovers more completely.

Outer Limits

Still, there was a sense that the Social Security tax may be reaching its outer limits. Rep. Richard Gephardt, D-Miss., a sponsor of the bill, virtually conceded as much when he told the House, "We've raised the taxes to the breaking point."

The debate on the bill and statistics on general taxes paid by the worker underscore two facts about Social Security: the heavy load it lays on the working person—even the low-income worker—and the huge role that Social Security now plays in the economy.

A dozen years ago, the maximum amount of wages subject to the payroll tax was $4,800 and the tax rate was 3.625 per cent each on employers and employees—a maximum tax of $174 each. Today the maximum tax is $965.25. Existing law would drive those figures up, but the new taxes voted by the House would raise the maximum taxable wage still further to $42,600 by 1987 with a rate of 7.10 per cent—a maximum tax of $3,025 for the high-income worker.

From $585 to $710

That would mean heavy new taxes on high-income workers. But the lower-income worker also would suffer. A married taxpayer, with a spouse and two children, making $10,000 a year pays $585 in Social Security taxes. His Social Security tax would rise to $710 in 1987.

Such a worker today is probably paying only $446 in federal income tax, so his Social Security tax is higher than his income tax. A married taxpayer with a spouse and two children does not pay any federal income tax on the first $7,200 of earnings. But such a worker would pay $421 for Social Security.

These figures reflect in miniature the larger story of Social Security's tremendous role in the economy. Its benefits for many are the chief source of income. More than 100 million workers are subject to the tax. Benefits paid this year will be about $87 billion for support of old-age and disability pensioners, plus more than $22 billion for Medicare. And a few billion dollars short of that will be taken out of the economy through the payroll tax to finance the benefits.

Reagan to Lead GOP Attack on Panama Treaties

WASHINGTON, Oct. 30 (WP). —In an attempt to exploit the Panama Canal treaties as a partisan political issue, the Republican National Committee has enlisted Ronald Reagan to spearhead a major mail campaign aimed at raising $2 million from treaty opponents.

The committee is preparing to send a six-page, fund-raising letter, written and signed by the former California governor, to between a half million and a million people on its mailing lists.

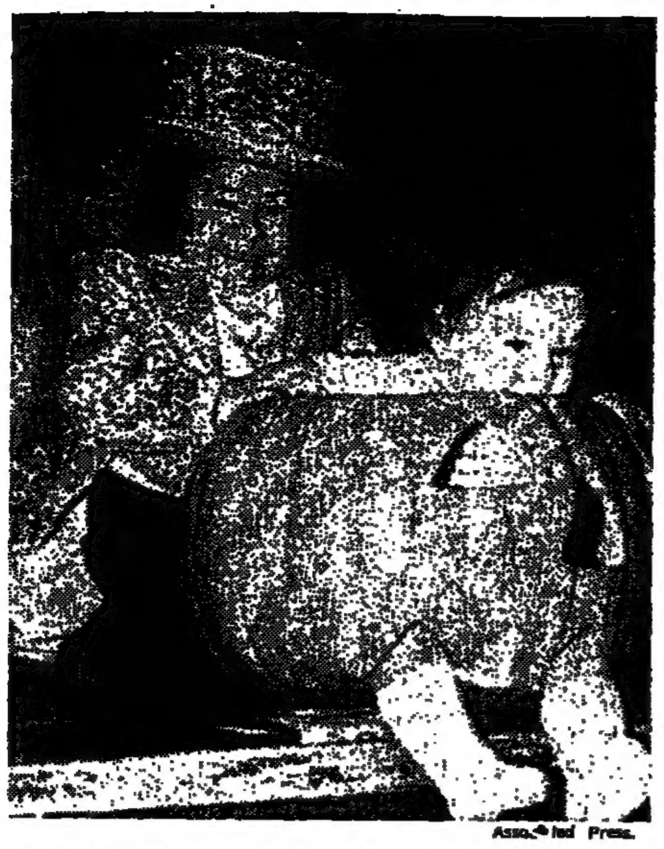
In the letter, Mr. Reagan—the most influential figure among U.S. political conservatives—attacks the treaties as a surrender of vital U.S. strategic interests and calls for an all-out effort to block their approval by the Senate.

The letter asks recipients to sign enclosed petitions opposing the treaties and to contribute toward "a minimum of $2 million" to the Republican party.

"Unless these funds are raised," the letter says, "we won't defeat those Democrats who vote time and time again to support actions that weaken out national security . . . Believe me, without your support, the canal is as good as gone."

Soviet Satellite Up

MOSCOW, Oct. 30 (UPI).—The Soviet Union last week launched the Molnia 3 communications satellite.



Asso. ted Press.

JILL-O'-LANTERN—With a little help from Michu the Midget, 10-month-old Ibi Axt samples her first Halloween jack-o'-lantern during a Boston show by the Ringling Brothers Barnum & Bailey Circus.

Minneapolis to New York

Police Probe Inter-City Flow Of U.S. Teen-Age Prostitutes

By Selwyn Raab

NEW YORK, Oct. 30 (NYT).—Two Minneapolis policemen will search the streets of midtown Manhattan next week for hundreds of Minnesota teen-agers who have been lured into lives as prostitutes in New York.

Besides trying to get the youngsters to return to their homes, the Minneapolis officers will be looking for more evidence about the "pipeline"—an apparently organized system in which New York-based pimps recruit girls in Minnesota and transport them to New York.

"We have a tremendous amount of young women entrapped into prostitution and in a short period of time, a matter of days, they are taken to New York," said Lt. Gary McGaughey of the Minneapolis Police Department's Special Investigations Division.

Lt. McGaughey said that pimps have increasingly sought out young women in Minneapolis because the city has become a magnet for thousands of teen-age runaways in the upper Middle West who seek jobs and shelter there.

400 Sent in '76

During last year, Lt. McGaughey estimated, 400 teenagers from Minneapolis and nearby communities were picked up by pimps and sent to New York.

"The overall number in the last couple of years must be at least a thousand and the problem is getting bigger and bigger," he asserted.

The discovery of a new Minneapolis-New York prostitution link came partly from testimony given by Minneapolis girls who recently returned to their homes voluntarily or who were arrested in New York, Lt. McGaughey noted.

In New York, Lt. McGauguey and Al Palmquist, an ordained minister who is a Minneapolis police officer, will coordinate their efforts with city vice detectives and investigators from the State Legislature's Select Committee on Crime. The committee has been investigating possible organized crime influence on teen-age prostitution.

'The Minnesota Strip'

The first indication of a prostitution connection between New York and Minneapolis came in the early 1970s when vice squad detectives began arresting young blonde women from the Middle West for street walking in the Times Square area. That led police to label Eighth Avenue in that area "the Minnesota Strip."

But local detectives said that the influx of teen-age prostitutes from Minneapolis has recently increased considerably. Detectives and investigators from the legislative crime committee said that they knew of no other comparable inter-city prostitution network.

Jeremiah McKenna, chief counsel of the legislative crime committee, said that New York pimps have stepped up their recruiting of white and Indian teenagers as well as black girls. About 200 separate pimps had been identified as looking for prostitutes in Minneapolis, Lt. McGaughey continued. Most of the girls were taken to New York but other pimps from New Orleans and Boston also were active in Minneapolis, he said.

"The New York pimps have a pitch that the girls can make thousands of dollars a week in New York and that the police there won't identify them and send them home," the lieutenant asserted.

Use Training Session

The pimps from New York City induce the young woman to prostitute themselves in Minneapolis before being sent to New York, Lt. McGaughey said, explaining:

"It's like a training session for three or four days. If the girls work out in Minneapolis, as soon as they earn enough money for the plane fare they are put on a plane and taken to New York. And with juveniles they get them out of here [Minneapolis] as fast as possible."

Lt. McGaughey said that the Minneapolis police detained every young woman arrested for prostitution until she could prove conclusively that she was at least 18 years old and no longer a juvenile under Minnesota law. In New York, the juvenile-court jurisdiction ends when a person reaches the age of 16.

"The pimps tell the girls—and it's partly true—that if they are arrested in New York identification checks are not as thorough as in Minneapolis and that their ages won't be known," Lt. McGaughey said. According to him, a 16-year-old who was a prostitute for more than a year in New York said that she had been arrested 40 times without her real age and identity being ascertained.

Lie About Age

Police and court officials in New York City—where more than 6,000 prostitution arrests occurred last year—acknowledged that it was difficult to determine the ages of young women who are arrested and lie about their age.

A recent example of this problem came to light this month when it was learned that a 12-year-old Brooklyn girl had been arrested 12 times for prostitution with the police usually unaware of her real age. The child was killed in July in a mysterious fall from the 19th floor of a hotel.

Moscow Parade To Include New Tracked Vehicles

MOSCOW, Oct. 30 (AP).—The Soviet parade through Red Square next Monday to mark the 60th anniversary of the Bolshevik Revolution will include tracked vehicles for the first time in three years, one of them the new T-72 tank, Western military sources said.

The tank has been deployed with Soviet forces in East Germany for nearly a year. But it has been kept from Western view inside the Soviet Union, even though it has been in production for more than a year.

Western sources said the Soviet Union planned a bigger weapons display this year than any since 1974. But they interpreted this as in keeping with the 60th anniversary milestone and not a new flexing of military muscle.

Other weapons Western military sources hope to get a look at for the first time include the 122-mm and 152-mm self-propelled howitzers.

Cigarette Opponent Wins Minnesota Suit

MINNEAPOLIS, Oct. 30 (UPI). —Mrs. Ann Houk kicked a cigarette out of a smoker's hand on a bus and got a broken nose and $8,000 in return.

Mrs. Houk, 59, said a man was standing with a lighted cigarette in his hand at about the height of his knee. Mrs. Houk raised her foot and "smashed the cigarette out of his hand," she said. She said she was then struck on the nose. A jury awarded damages to Mrs. Houk, saying the defendant, the Metropolitan Transit Commission, was responsible because the bus driver did not intervene to prevent injury to her.

Smallpox in Somalia

ATLANTA, Oct. 30 (UPI).—The world's last-known center of smallpox is southern Somalia, where 3,203 cases hae occurred since January, the National Center for Disease Control said Friday.

His Testimony Is Crucial

Without Tongsun Park, U.S. Doubts Wider Korea Probe

By Charles R. Babcock

WASHINGTON, Oct. 30 (WP). —The Justice Department's investigation of South Korean influence-buying in Congress could produce more indictments if truthful testimony from accused Korean agent Tongsun Park is obtained. Without the testimony no further charges are likely.

That is how the Justice Department now assesses its tyo-year inquiry. And it explains why three department officials went to Seoul two weeks ago in an unsuccessful effort to arrange for the questioning of Mr. Park. So far, only Mr. Park, Korean businessman Hancho Kim and former Rep. Richard Hanna have been indicted.

A Korean official has told The Washington Post that "under no circumstances" would the Seoul regime let Mr. Park leave the country. "The man is a bomb," he said.

The official explained that the government felt Mr. Park was capable of saying anything "in his own interest." And if Mr. Park felt it was in his interest to implicate his government, he would not hesitate to do so "for his own selfish purposes," the official said.

Unconvincing

South Korean officials have claimed that they tried to persuade Mr. Park to return to the United States to face a 36-count felony indictment, which charges that he took part in a Korean government-sponsored campaign to bribe members of Congress.

But it seems clear the Korean government was more concerned about the damage it might suffer from Mr. Park's future testimony than about the adverse political fallout their failure to cooperate was sure to produce.

Congressional support for continued military aid to South Korea has eroded so much since the failure of the Justice Department talks in Seoul that House leaders have decided to postpone hearings on a new $800-million aid package.

Mr. Park's testimony is considered the crucial and missing link in several possible criminal cases because in many instances he is believed to have made cash payments directly to members of Congress with no other witnesses present.

The Hanna Case

In the case of Mr. Hanna, a California Democrat, the only member of Congress indicted in the investigation so far, there is evidence that he received payments from Mr. Park by checks, which are easily verifiable.

Benjamin Civiletti, head of the department's criminal division, said in a recent interview that he made it clear to the Koreans during his trip to Seoul that Mr. Park's testimony was "critical to the completion of our investigation."

Without that testimony, he said, the Justice investigation was 95-per-cent finished, and future indictments doubtful without some kind of break.

Evidence Sought

The federal investigators are known to be hoping to persuade Mr. Hanna and Mr. Kim, a Korean-born naturalized U.S. citizen and Washington-area businessman, to provide them with evidence about others who took cash or gifts in the lobbying campaign.

Mr. Hanna has been charged with joining Mr. Park in persuading the Korean Central Intelligence Agency to provide funds for the scheme and with passing some of the money to other members himself, Mr. Kim is alleged to have received $600,000 in cash from the KCIA for his part in the same lobbying effort. Mr. Kim and Mr. Hanna have denied the charges.

Vote by Senate Hints at Shift on Crude-Oil Levy

WASHINGTON, Oct. 30 (NYT). —The Senate yesterday refused to go on record as opposing the President's proposed tax on domestically produced crude oil, although the tax had been rejected by the Finance Committee.

The 47-to-30 vote was on a nonbinding resolution but it was a first sign that the Senate might accept a bill with the tax in the conference with the House.

The House bill includes the tax, which would total nearly $15 billion a year, and Sen. Russell Long, D-La., who is expected to head the Senate conference delegation, has indicated that he would be willing to agree to the tax if it were accompanied by energy production incentives.

As one step along this path, the Senate voted in a rare Saturday session to provide for an energy trust fund, into which would go excess revenues from energy taxes and out of which would come money to finance development of alternate energy and conservation and "energy-efficient" forms of transportation.

Round-the-World Pan Am Flight Nears Home and Speed Record

AUCKLAND, New Zealand, Oct. 30 (UPI).—Virtually assured of setting a speed record for its flight around the world, a Pan American World Airways jumbo jet landed here today, its final stop before flying home to San Francisco.

Spirits were high among the 165 passengers despite almost two days of nearly continuous flying. The special-performance Boeing 747 has made two previous stopovers, in London and Cape Town, and flown over the North Pole and the South Pole.

The plane left San Francisco on Friday in a bid to make a 26,642-mile polar circuit of the world in 48 hours 40 minutes. The previous record was set in 1965 by a Boeing 707 cargo jet that made a similar trip in 62 hours 27 minutes 35 seconds. The flying time to New Zealand was logged unofficially as 36 hours 29 minutes.

"It would appear we've got the record beat now, no matter what," said Capt. Walter Mullikin, the flight commander. He planned to push the plane to its top speed, almost nine-tenths the speed of sound, through most of its final leg.

The flight is to celebrate the 50th anniversary of U.S. international aviation and the 50th birthday of Pan Am.

U.S. Probing Alleged Betrayal Of Defecting S. Korean Agent

WASHINGTON, Oct. 30.—The Justice Department is investigating charges that a congressman endangered the life of a defecting South Korean intelligence agent by informing the agent's superiors that he planned to seek political asylum in the United States.

The congressman, Edward Derwinski, R-Ill., is one of South Korea's staunchest supporters in Congress, where he has served 10 terms.

Rep. Derwinski, 51, the ranking Republican on a House International Relations subcommittee that is examining activities in the United States of the Korean Central Intelligence Agency, denied Friday that he had leaked information concerning Sohn Young Ho, who had approached the subcommittee about defecting.

Mr. Sohn defected on Sept. 16 about 24 hours after alerting some persons on the House International Organizations subcommittee to his plans.

Protected by FBI

He and his family were given protective custody by the FBI only a short time before South Korean agents arrived at his home to intercept him, knowledgeable sources said.

Rep. Derwinski's name has not been linked to the influence scandal, which has dwelt primarily on former members of Congress, mainly Democrats.

It was learned that the Justice Department is seeking to determine if the alleged tip about Mr. Sohn to the Korean government amounted to "obstruction of proceedings" before a congressional committee.

That offense carries a maximum penalty upon conviction of five years in prison and a $5,000 fine.

© Los Angeles Times.

Italy Oil Disaster Averted

GENOA, Oct. 30 (Reuters)—An estimated 9,000 tons of crude oil that spilled from a tanker into the Gulf of Genoa during an unloading operation yesterday is now drifting away from shore, reducing fears it will pollute beaches. The oil flowed for four hours after a valve on the 150,000-ton Kuwaiti tanker Al-Rawdatain broke.

U.S. and Russia Drafting Ban on Chemical Arms

GENEVA, Oct. 30 (AP).—The United States and the Soviet Union have started drafting a joint document on a treaty banning chemical weapons in bilateral talks that ended Friday, the U.S. mission announced.

U.S. sources did not expand on the nature of the document, presumably treaty outlines, prepared in the talks that began Sept. 26. The announcement said that during the negotiations the two sides "exchanged views on all aspects of the issues under discussion."

The two delegations were led by ambassadors Adrian Fisher of the United States and V. I. Likhatchev of the Soviet Union, who are the co-chairmen of the Geneva Disarmament Conference, where the chemical arms ban was discussed for years.

The U.S.-Soviet talks on chemical weapons were started as an initiative of the co-chairmen for the disarmament conference, which had failed to make any progress on them. The bilateral talks will be resumed Jan. 16.

But Earns Workhorse Reputation

Carter Said to Age Fast Under Job Strains

By James I. Wooten

WASHINGTON, Oct. 30 (NYT).—Presidents seem to grow older faster than the average citizen and Jimmy Carter is no exception.

After nine months in office, the changing contours of his face, so clearly delineated by the lighting at his televised news conference here Thursday, suggest an aging process unrelated to time, undisguised by his light layer of makeup.

Since his inauguration, President Carter has come to be seen by several old-timers in this city as one of the most diligent men ever to hold the office, a perception fostered not only by his long days and many evenings in the little study next to the Oval Room office but by the prodigious amounts of material that move across his desk.

"About the only one I can think of who might come close to him on that count would be FDR," Thomas Corcoran, a veteran of the Roosevelt years, said not long ago. Others as old as Mr. Corcoran agree.

Judging Presidents

"Truman wasn't lazy but he wasn't gung-ho for work, either," a retired journalist said recently. "Eisenhower did only what was necessary, Kennedy was up-and-down, off-and-on about it, Johnson was a wheel-spinner—he'd go hard all day and never get much done—Nixon took naps in the afternoon and Ford was a lot like Johnson."

That, apparently, is not the case with President Carter, who approaches the job and moves through his crowded schedule like a candidate late for a rally.

The President's stamina came to the fore again during his exhausting trip back and forth across the country on Oct. 21, 22 and 23.

When he landed at Andrews Air Force Base on the afternoon of Oct. 23, with 7,500 miles behind him, the jet-lag that was evident on the faces of his staff did not seem to have registered on him. "No, I'm not tired, not tired at all," he said with a laugh in his compartment aboard Air Force One. "I'm just getting in shape for the big one."

Foreign Mission

His reference was to the 11-day, 25,000-mile journey to nine countries on four continents that begins Nov. 22, an itinerary that some of his White House assistants believe will tax even the President's stamina, not to mention their own.

"I may resign effective Nov. 21," a senior aide joked. "I'm not worried about how he's going to handle it. I'm worried about whether I'll survive."

That anxiety, although jocularly posed, is a pertinent subject at the White House these days, for as other presidents have demanded and received extreme loyalty and devotion from their assistants, Mr. Carter, both by instruction and example, is served by men and women whose days begin early and end late.

Early in his administration, he said that he did not want that to happen. He told his staff members to spend more time with their families. He has not mentioned it in a long time and few of them have heeded his original advice.

Eizenstat Is Tired

The strain seems most evident in the faces of such aides as Stuart Eizenstat, his assistant for domestic affairs and policy, and Frank Moore, his assistant for congressional liaison, on whose shoulders has fallen much of the work load for the administration's first nine months.

"Stu looks like a ghost," a startled Bostonian friend said last week. He had not seen Mr. Eizenstat in several months.

"Moore will not last much longer," a close friend speculated. "From what I can see, he's not eating right and even though he's working to all hours, he's not even sleeping. The work load and the pressure are just unbelievable."

Both men may have taken some comfort in the President's declaration at his news conference Thursday that he does not anticipate any more major legislative initiatives from the White House next year, "unless they evolve."

United Press International.

YES, BUT CAN HE WHISTLE 'DIXIE'?—Sam the Robot attracts a few startled glances as he rolls through a Cincinnati department store. He's 5-foot-2, weighs 180 pounds, has no eyes or legs but brags a lot about his 4,600-word taped vocabulary. Through a computer sensor, Sam responds to questions when he hears key words programmed in his interior. Sam was made by Quasar Industries.

Russians Reportedly Building Huge New Missile Submarine

WASHINGTON, Oct. 30 (NYT).—The Soviet Union has begun building a nuclear submarine designed to launch 20 to 24 long-range ballistic missiles, according to U.S. intelligence officials.

The submarine, which apparently has been named Typhoon by the Soviet Navy, is said to be the largest ever built in the Soviet Union. It will be more than 500 feet long, with a surface displacement of more than 15,000 tons. This would make it comparable in size to the U.S. Navy's yet-to-be-deployed Trident-class submarines.

Although few details on the new submarine's armament are available, intelligence officials believe that it has been designed to carry a new submarine-launched ballistic missile, which has been designated the SS-NX-18 by the Western intelligence community. The missile will be the first to be carried in Soviet submarines that is equipped with multiple warheads and, according to the officials, has recently been tested at ranges of almost 6,000 miles.

Former Secretary of Defense Donald Rumsfeld suggested in January that the Soviet Navy was preparing to build a new ballistic-missile boat, but the appearance of the Typhoon in such a short time has surprised intelligence analysts.

The new submarine and the testing of the SS-NX-18 missile have stimulated a debate in intelligence circles over the future direction of Soviet strategic forces. Some officials believe that despite Moscow's continuing modernization of its land-based missile force, these developments signal a new emphasis on a sea-based deterrent.

Prague Actor Is Held After Dissident Trial

VIENNA, Oct. 30 (UPI).—One of Czechoslovakia's most prominent actors is being held on charges of disorderly conduct for his behavior during the recent trial of prominent dissidents in Prague, sources said.

The sources said actor Pavel Landovsky—one of the signers of the Charter 77—was detained Oct. 17 during the trial of playwright Vaclav Havel and three other dissidents.

U.K. Eyes Cuts In Ulster Forces

NEW YORK, Oct. 30 (NYT).—British Defense Minister Frederick Mulley believes there is a good chance that his government will be able to reduce its forces in Northern Ireland if civil strife there continues to dwindle and if the Royal Ulster Constabulary is able to take over more security duties from the army.

Mr. Mulley was recently in Washington to confer with U.S. Secretary of Defense Harold Brown.

The garrison of 14,000 men includes 14 maneuver battalions, helicopter squadrons and headquarters units. In the last year, the constabulary, armed with a variety of infantry weapons, has been taking over some of the army's security missions.

On Conventional Weapons

Carter to Offer Arms-Sale Cutback to Moscow

By Bill Peterson

WASHINGTON, Oct. 30 (WP).—President Carter, describing the United States as the world's largest arms peddler, said he intended "before long" to offer the Soviet Union proposals to limit the sale of conventional weapons around the world.

In proposing for the first time a major-power agreement to put controls on the $20-billion-a-year industry, Mr. Carter said: "We all feel that it should be cut back. How to do it is another matter, of course, that is very difficult to address."

"We are the worst violator at this time, the Soviets perhaps next, and the French, British and Belgians, to some degree, participate in this excessive arms sale," he said.

Mr. Carter made his statements during an interview with a group of visiting newspaper columnists and editorial writers on Friday. A transcript of the 43-minute interview was made public yesterday.

The proposal comes at a time when Mr. Carter's arms policy is under mounting criticism both inside and outside government.

The President announced a unilateral policy of restraining U.S. sale of conventional weapons six months ago, saying that the "spiraling arms traffic" represented a "threat to world peace." Little, however, has been done since.

Defends Communiqué

During the White House session, the President also staunchly defended a joint U.S.-Soviet communiqué on the Mideast issued last month, said the United States was mounting an all-out effort to get international cooperation in thwarting airline hijackers and said he would sign a bill allowing retired persons to earn all they can without losing Social Security benefits."

The joint U.S.-Soviet statement, which urged Israel to recognize the rights of Palestinians, stirred widespread criticism from Jewish groups around the country, who charged that it represented a retreat from long-term commitments to Israel.

Mr. Carter, in his interview, defended it as "a major step forward" and said, "I have never violated any commitments made to the Israelis, either by my administration or by previous administrations."

The President said he recently reviewed all public and private agreements between the two countries with Israeli Foreign Minister Moshe Dayan. "There has not been and will not be any violation of those commitments," he added.

The Soviet Union, Mr. Carter said, is now taking "a much more objective and fair and well-balanced position" in Mideast affairs and has abandoned its earlier demands for creation of an independent Palestinian homeland.

California Cleric Teaches How To Avoid Marital Infidelity

By John Dart

LOS ANGELES, Oct. 30.—Seminars and books on how to maintain a good marriage are commonplace, but a church in the Pacific Palisades area of Los Angeles has begun an unusual lecture series that suggests how to stay out of other people's beds.

"Affair prevention" is being taught at St. Matthew's Episcopal Church by the Rev. Peter Kreitler, associate rector.

Mr. Kreitler, 35, says that he draws his teaching mainly from "situation ethics," often criticized in churches as a valueless school of thought.

"Affairs are epidemic," he said. "I've lost many good friends and relationships to affairs," said Mr. Kreitler, an active counselor during his eight years in the ministry.

The art of seduction is recounted in books and magazines, but Mr. Kreitler said that he has found nothing that teaches how to fend off a seducer and resist temptation.

Besides Mr. Kreitler's "affair prevention" course, the church has offered more conventional discussions on human sexuality and marital enrichment.

"A lot of people asked me why I didn't just deal with what makes a marriage work, like good communication, and bring in 'affair prevention' later on," said Mr. Kreitler. "I said that if someone believes, as I do, that a marriage is a covenant based on fidelity, then that person needs certain skills," said the priest, who is married and has two children.

Knowing how to flirt "without having to conquer, without getting somebody in bed" is one of those preventive skills, he says. "Flirting is natural and good, a part of male-female relationships," he said.

Mr. Kreitler says flirting can be a "respectful interchange between two people in which there are elements of tenderness, affection, hugging, caring, humor and kidding." But, he added, "it takes a squared-away person to handle flirting, both the flirtee and the flirter."

Much of it has to do with whether there are ulterior motives. "It's okay to have eye contact with another person, but are your eyes saying, 'Hello,' or are they saying, 'Do you want to go to bed?'" said Mr. Kreitler. The same goes, he said, for touching: is it affectionate or suggestive?

Most of the "snowmen" on the make today try to give the impression of caring about a woman's inner self, he said, but they are really engrossed with the superficial.

"That's probably one of the greatest techniques today for people in search of an affair," he said.

The priest said that he does not pretend to be an expert on human sexuality, but he said that among the many reasons why husbands and wives seek outside sex are what he calls the "big five": sexual frustration, revenge, curiosity, boredom and recognition-seeking.

The newness, adventure and dreams of erotic firecrackers associated with extramarital romances are factors, too, Mr. Kreitler said. "But it's no big deal to fall in love," he said. "The art is to grow in love."

A recent Redbook magazine reader survey showed 42 per cent of working women and 27 per cent of house-bound women have had an affair, figures still lower than those for men but climbing, Mr. Kreitler said.

"The preconception is [that] it won't happen if we have a happy marriage or if we are religious," he said. "We're human, though—even ministers. The classic story of the minister running off with the organist is not laughed at by clergy."

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In Euro-Arab Dialogue

EEC Reiterates Its Support Of Homeland for Palestinians

BRUSSELS, Oct. 30 (UPI).—The Arab world won a joint statement from the Common Market yesterday supporting a Palestinian homeland and condemning Israeli occupation of Arab lands.

The statement, contained in the communiqué closing a round in the European-Arab dialogue between 21 Arab nations and the Common Market, committed the nine-nation European Economic Community to nothing it had not already declared. But diplomats said the joint formulation at the dialogue was a major political victory for the Arabs.

The Common Market said at the outset that it wanted to keep the two-year-old dialogue confined to economic and trade matters. But under continued pressure from Arab nations, the EEC has been forced to give way at least partly to Arab demands that the dialogue be given a political scope as well, diplomats said.

The Common Market stopped short of Arab demands for an arms and economic embargo against Israel and full recognition of the Palestine Liberation Organization as the sole representative of the Palestinian people.

A PLO representative who participated in the dialogue as a member of the Arab delegation warned that Europe-Arab relations in all spheres could be harmed unless the PLO is eventually given full recognition.

"The European side was informed about our views and is giving them consideration," said Ahmed Dajani, the PLO representative. "But the link between the political and economic aspects of European-Arab relations will become increasingly clear, and the Europeans will be forced to understand the importance of recognizing the PLO."

Mr. Dajani warned that "if the Europeans do not show understanding, the entire complex of our relations will be affected in all fields."

The Arabs earlier had welcomed a European statement recognizing the Palestinians' right to a homeland but complained that it remained vague about wh[...] and how such a homeland sho[...] be established.

The Common Market refu[...] however, to go beyond the [...] ment issued at its London sum[...] meeting on June 29.

"We have not realized all [...] aspirations today," Saudi Arab [...] delegate Taher Radwan [...] "But we accomplished a step [...] ward in the dialogue."

Vance Hints of Treaty

WASHINGTON, Oct. 30 (U[...] U.S. Secretary of State C[...] Vance, in an interview rele[...] today, said that the United St[...] might be willing to sign a [...] teral defense treaty with Is[...] but would not send peace-keep[...] troops to the Middle East.

"It is a mistake for eithe[...] the so-called two great powe[...] the Soviets or ourselves—to [...] actual troops involved in pe[...] keeping operations," he told [...] News and World Report ma[...] zine. "Supplying peace-keep[...] forces is better done by [...] medium and smaller countrie[...]

Historian Claims Hitler's Son Lives In North France

LONDON, Oct. 30 (UPI).—A German historian has found the son nobody knew Adolf Hitler had, alive and living in northern France, the Sunday Times said today.

It said that Dr. Werner Maser, 55, who "made his name by research into the Nazi period," has known for 12 years that Hitler had a son. It said that two years ago Dr Maser located the son, Jean Lorret, living near the French-German border.

It said that Mr. Lorret is married, the father of nine children and is "desperately ill and does not expect to live much longer."

The newspaper said that Mr. Lorret "is now ready to tell the world about his parentage," not to make money but to let the world "know that Hitler was not impotent."

Hitler "is supposed to have met the mother in 1918 while serving in the First World War," the newspaper said. The boy was given his mother's name and brought up by his grandparents, and "evidence to support his claim comes from several sources," the Sunday Times said.

Argentina Moves Against Strikers

BUENOS AIRES, Oct. 30 (Reuters).—The Argentine government today threatened to dismiss striking transport workers in an attempt to curb spreading labor unrest.

The state-owned subway company said that workers who did not return to work immediately faced dismissal without compensation, as well as special sanctions laid down in emergency regulations banning strikes.

On the suburban railroads, where current labor unrest began, there was a gradual return to work yesterday amid indications that the government was prepared to meet workers' representatives to seek a solution to the conflict. Friday night a bomb ripped up seven meters of a suburban railroad line. Ezeiza International Airport was also back to normal yesterday after a slowdown by maintenance workers and baggage handlers.

Israeli Actio[...] On Econom[...] Brings Strik[...]

TEL AVIV, Oct. 30 (A[...] Israel's move toward a free-[...] ket economy set off strikes [...] buying sprees today as wo[...] demanded compensation for [...] den price increases and shop[...] hunted last-minute bargains [...] fore the increases take full ef[...]

Postal employees held a one [...] strike, communications technic[...] walked out for two hours [...] longshoremen planned a day [...] shutdown tomorrow at Ash[...] Israel's biggest port.

Leaders of the 1.1-million m[...] ber Histadrut labor federation [...] up a "war room" to coordi[...] their campaign for wage incre[...] by January to offset a 10-per[...] cost-of-living rise expected to [...] sult from the new economic p[...] announced Friday.

"The workers must receive [...] compensation," said Hista[...] leader Yeruham Meshel. "[...] will be the struggle and I [...] we will win."

Finance Minister Simcha [...] lich urged the unions to [...] with restraint and consider[...] I'm sure the government an[...] Histadrut can reach agre[...] on this program by negot[...] and cooperation," he said.

Prices Up 11%

The prices of 150 basic [...] modities such as food, ga[...] and public transportation ro[...] average of 11 per cent [...] after the Likud government [...] inated subsidies for them as [...] of its move toward a free [...] ket economy after 29 yea[...] Socialist policies under pr[...] Labor governments.

The government, in a mo[...] cut Israel's trade deficit an[...] tract new investment, also [...] that it would float the I[...] pound, abolish most contro[...] foreign currency and cance[...] port incentives. It annou[...] several tax reforms, includin[...] increase from 8 to 12 per [...] in the value-added tax on [...] goods and services.

The announcement threw [...] marketplace into confusion [...] businesses reopened today. B[...] stayed closed to prepare for [...] new currency law and tre[...] officials expected the poun[...] drop about 45 per cent in v[...] from 10.36 to 15 to the d[...] when the banks reopen tomo[...]

Shopper's Active

Shoppers bought cars, cigar[...] electrical appliances and [...] items before the value-added [...] increase takes effect Tuesday [...] prices in general move upwa[...] the new exchange rate.

Prime Minister Menahem [...] gin went on television last [...] to urge Israelis to accept the [...] creases with "common sense [...] national feeling."

Mr. Ehrlich said that the [...] measures would bring this [...] inflation rate to 38 per cent [...] the same as last year's.

Barre Returns to Par[...]

BUDAPEST, Oct. 30 [...] French Prime Minister Ray[...] Barre yesterda, ended a [...] day official visit here and re[...] ed to Paris. Economic [...] especially Hungary's desire [...] down its unfavorable trade [...] ance, were main issues in [...] talks, which also dealt [...] détente, European security [...] other international matters.

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News Analysis

[...]nion Votes Crucial to Spanish Left

By James M. Markham

[...]RID, Oct. 30 (NYT).—[...] reborn Socialist Workers [...] an impressive second [...] parliamentary elections [...] but the party, the [...] largest before the ascent [...]cisco Franco, has not [...]idated its hold on the [...] electorate or on the [...] classes it claims to rep-[...]

[...] Socialist adversary in the [...] industrial belts that girdle [...] Barcelona and Bilbao [...] Communist party. Both [...] are preparing for union [...] in which the Socialists' [...]m, the General Union [...]rkers, will contest the [...]ist-dominated Workers' [...]sions, which were the [...] of labor's clandestine [...] to the Franco regime. [...]lections are expected late [...]nth, but, as of last week, [...] for them had not been [...] the Communists and So-[...] are fighting over proce-[...] because of the importance [...] vote. The results could [...] whether Spain breaks [...] pattern of other Latin [...] democracies, where the [...]ists owe their political [...] to their domination of [...] unions.

[...]ance, Italy and Portugal, [...]ngth of the Communist [...] does not come from their [...]ower but from the weight they have in the factories," Luis Yanez, a gynecologist who is a Socialist deputy and member of the party's executive committee, said. "The union elections are, possibly, going to consolidate our position for the next 40 years."

Mr. Yanez, like other members of his party, suspects that Premier Adolfo Suarez, whose centrist party has 165 seats in parliament to the Socialists' 118, is doing his best to encourage the fortunes of the Communist unions.

In the short run, Mr. Suarez would gain from a Communist vistory. It could undermine the Socialists before municipal elections expected early next year. In the longer run, by tilting toward the Workers' Commissions, Mr. Suarez might be moving Spain toward the sort of Communist-centrist compromise reached in Italy, where the Communist party has pre-empted the left.

At the factory level, the General Union of Workers lags behind the Workers' commissions, whose militants in the late 1950s infiltrated the Franco regime's official unions. The Socialists' electoral support last June was heavily blue collar, but they are short on well-known factory militants.

As a result, they are urging that workers be required to vote in closed lists for the union they favor, while the Workers' Commissions are pressing for open lists consisting of the names of established factory leaders, who as often as not would be Communists. The Suarez government seems to favor the Communist position; its labor minister, Manuel Jimenez de Parga, defended Workers' Commission militants when he was a lawyer in Barcelona and he has a brother who is a member of the Communist-controlled federation.

The Socialists accuse Mr. Suares of underhandedness on other scores as well. The government, they say, has reneged on a pledge to commit itself to return properties that belonged to the General Union of Workers in the 1930s under the Second Republic. The pledge, if given in writing, would have permitted the Socialist union to use its patrimony as collateral for a loan from a West German trade union.

In fact, the whole union question is enveloped in controversy and uncertainty. A strong vein of independent-mindedness runs through Spain's laboring population of 13.5 million and some trade unionists suspect, with anxiety, that the factory elections will produce no clear victor. In that case, management and government will have no clear idea of who speaks for labor.

Mr. Suarez has used the unresolved union question to corral Felipe Gonzalez, the Socialist leader, into an all-party social pact on wage and price restraint to check the unnerving decline of the Spanish economy. The General Union of Workers is unenthusiastic about the pact, particularly since it seems to have started as an understanding between Mr. Suarez and Santiago Carrillo, the Communist party's secretary-general.

Since the June elections, in which his party won only 9 per cent of the popular vote (the Socialists won 30 per cent), Mr. Carrillo has become the Premier's unabashed collaborator, lending his 20 parliamentary votes to Mr. Suarez's minority government at crucial points. The Communist leader is bolstering his party's claim to respectability; he could also reap some important favors from the government in the union elections.

Mr. Carrillo's strategy in trying to make the Communists the stronger party of the left is to contrast his record of moderation with what some Madrid commentators have begun to call Socialist demagogy. The Socialists, who have a far more unruly and radical-sounding base than the Communists, contend that they are simply playing the natural role of main opposition party. But in Madrid, where the Fourth Estate holds many Communist sympathizers, the avuncular Mr. Carrillo gets a better press.

The Socialist-Communist competition goes beyond the unions and the Madrid newspapers. Last month, Mr. Carrillo, in another step in his quest for respectability, accepted an invitation to lecture at Yale University next month. Two weeks ago, Douglas Fraser, the president of the United Automobile Workers, passed through Madrid to lend moral support to the Socialists and he extended an invitation to Mr. Gonzalez to visit the United States. The Socialist leader accepted readily, and he also will be going next month.

[...] Denies Bid [...]beria for [...]N.Y. Ticket

[...]HINGTON, Oct. 30 (AP).[...] Civil Aeronautics Board has [...] a proposal by Spain's [...] airlines to offer a $295 [...]rip charter fare between [...] and New York.

[...] fare would have applied to [...] of 20 or more persons [...] in off-peak seasons. It [...] have been about half the [...] economy fare in the off [...] mostly in the wintertime.

[...] board informed President [...] on Friday that it was [...] the proposal because the [...] States does not have an [...] with Spain that would [...] the board to suspend the [...] fare if it proves harmful [...] to airlines.

[...] President has the final [...] any agreement involving [...] to foreign countries [...] reverse the decision. [...] on Thursday upheld [...] rejections of low-fare pro-[...] by Belgium's Sabena and [...] Royal Dutch Airlines. The [...] for the denials were the [...] in the Iberia case.

Four in El Salvador Die in Funeral Clash

SAN SALVADOR, Oct. 30 (Reuters).—The death toll in a cemetery gunfight between police and leftist peasants rose to four yesterday when a police inspector died of wounds.

The inspector, two other policemen and a civilian were victims of a shooting incident Friday during the burial of two persons shot during a peasant march the previous day. Police said that the shooting began when leftists tried to stop policemen from entering the cemetery.

Associated Press.

SUGAR CANE?—Young Michelle Cox, 5, of Atlanta, grimaces after sampling a piece of sugar cane at the Farmer's Market. Cane, of course, is the world's primary source of sugar, but Michelle is unconvinced.

66 Are Killed in Border Clash; Record for Namibia Fighting

PRETORIA, Oct. 30 (AP).—Sixty-one black nationalist insurgents and five white South African soldiers were killed in a 36-hour battle across the border between Angola and South-West Africa (Namibia), South African defense headquarters announced late yesterday.

The casualties were the highest for a single battle in the fighting between South African troops and insurgents from the South-West African People's Organization (SWAPO) in the disputed territory.

South Africa has administered the territory during the last 31 years—12 of them in defiance of United Nations resolutions.

News of the battle was announced as Foreign Minister R.F. (Pik) Botha hinted strongly that South Africa might pull out of South-West African independence negotiations with the West if this country is declared a threat to international peace at this week's UN debate to enforce an arms embargo.

89-Man Force

The military communiqué said that the fighting began Thursday afternoon when a South African patrol clashed with an 89-man SWAPO force just south of the bush clearing on the South African side of the border.

The fighting fluctuated back and forth across the border until yesterday morning, with South African reinforcements drawing fire from SWAPO bases inside Angola, the communiqué said.

The communiqué said: "Five members of the security forces were killed and it was confirmed that at least 61 SWAPO terrorists were killed. At present the situation is quiet."

It said that the defense department will ask that South Africa lodge an official complaint "against this border violation, which is one of a series of similar violations in the same area during the past four months."

800-Mile Border

The communiqué did not say where on the 800-mile border the clash took place. The border includes 280 miles of the narrow South African-controlled Caprivi Strip.

SWAPO guerrillas operate mainly from bases in southern Angola. There are 19,000 Cuban troops backing Angolan President Agostinho Neto's government in the former Portuguese territory.

The commanding officer in South-West Africa's northern Ovamboland territory said last week that an estimated 300 SWAPO guerrillas are now operating in the area, with 2,000 more in Angola and 1,400 on the Zambian side of the Caprivi Strip.

Financially Overextended

W. German Social Welfare Is an Aging Giant

By Murray Seeger

BONN, Oct. 30.—Chancellor Helmut Schmidt, a man not given to acknowledging mistakes, had to face parliament last year and admit that he had made a whopper. Newly reelected in October, his government had looked at the soaring cost of the social security system and concluded that an increase in pensions had to be postponed for six months.

The decision violated a campaign promise of a 10-per-cent increase and made the Chancellor's frequent pledges about the soundness of the system seem hollow.

It took only a few weeks for Mr. Schmidt and his Cabinet to backtrack. In December, Mr. Schmidt told the Bundestag (parliament) that the attempt to hold down pensions had "led to serious disquiet and damaged this government's reputation."

Many political experts attribute nearly a year of internal political trouble for Mr. Schmidt to that single error, even though it was quickly corrected.

A Century Old

In West Germany, the issue was particularly magnified because the modern social security system, which most industrial nations take for granted, originated in the German empire nearly a century ago. It may be Germany's greatest single contribution to public administration.

At the time, Chancellor Otto von Bismarck promised that "something positive would be done to remove the causes of socialism" that were sweeping Europe. His first bill was introduced in 1881 and enacted three years later. "I call it practical Christianity on display," the conservative Prussian told his critics.

The foundation laid by Bismarck proved so strong that it survived two military defeats, national financial collapse and the Nazi era to blossom again as the heart of Germany's modern social democracy.

Other social welfare systems, notably the U.S. version of President Franklin D. Roosevelt, were modeled on the German system. Perhaps because the U.S. and German systems share a common ancestry, both have recently run into the problem of being overextended financially.

The German system has grown far beyond the Bismarck model and the U.S. copy. It includes health and accident insurance, death benefit and rehabilitation payments as well as retirement pensions.

To finance all the benefits, employees and employers make equal contributions based on a percentage of wages. Currently, workers contribute 9 per cent of their wages for the pension plan alone and employers match those contributions. State medical programs and unemployment insurance take another 7 per cent.

The social security program originally was like an insurance policy. Benefits were to be paid from the earnings of the common fund. The program has been so expanded, especially since the liberal government headed by Mr. Schmidt took office in 1969, that the insurance concept has disappeared and pensions are paid from government revenues.

The cost of pensions has soared because people are living longer after the retirement age of 65. In addition, the program has become more expensive as more people who made few or only small contributions have been made eligible for benefits. For example, farmers who sold their property to their sons became eligible for pensions from the state, along with self-employed persons.

Benefits to Poles

Last year, as part of a new treaty with Poland, West Germany agreed to pay the equivalent of $550 million for pension claims by Poles who had worked for the Nazis or in pre-World War II German territory.

The system also is generous to most retired persons, who receive pension benefits equal to 70 per cent of their last gross earnings when private and state pensions are combined. Two-thirds of German workers are covered by private plans in addition to the universal coverage of social security.

Most recipients of state pensions get between 500 and 725 deutsche marks a month ($217 to $315).

Another factor raising pension costs is the formula used to protect beneficiaries from inflation and to assure them of a steady standard of living. Called the "dynamic" formula, it raises pensions every year based on wage increases paid to industry during the previous three years.

That formula worked adequately in periods of full employment but in the last five years has become expensive. From 1969 to 1974, West German wages rose by at least 9.2 per cent a year and as much as 12.7 per cent one year.

There are 11 million persons collecting pensions, of a population of 62 million. Therefore, roughly 2 1/2 workers are supporting each pensioner.

In the federal budget offered in the Bundestag last week, the government included the equivalent of nearly $3.5 billion to repay advances made to keep the pension program solvent and to guarantee that payments will continue under the "dynamic" formula.

Some economists suggest basing future pension increases on net salary improvements rather than on gross wages, since fringe benefits for West German workers now account for about 60 per cent of wages.

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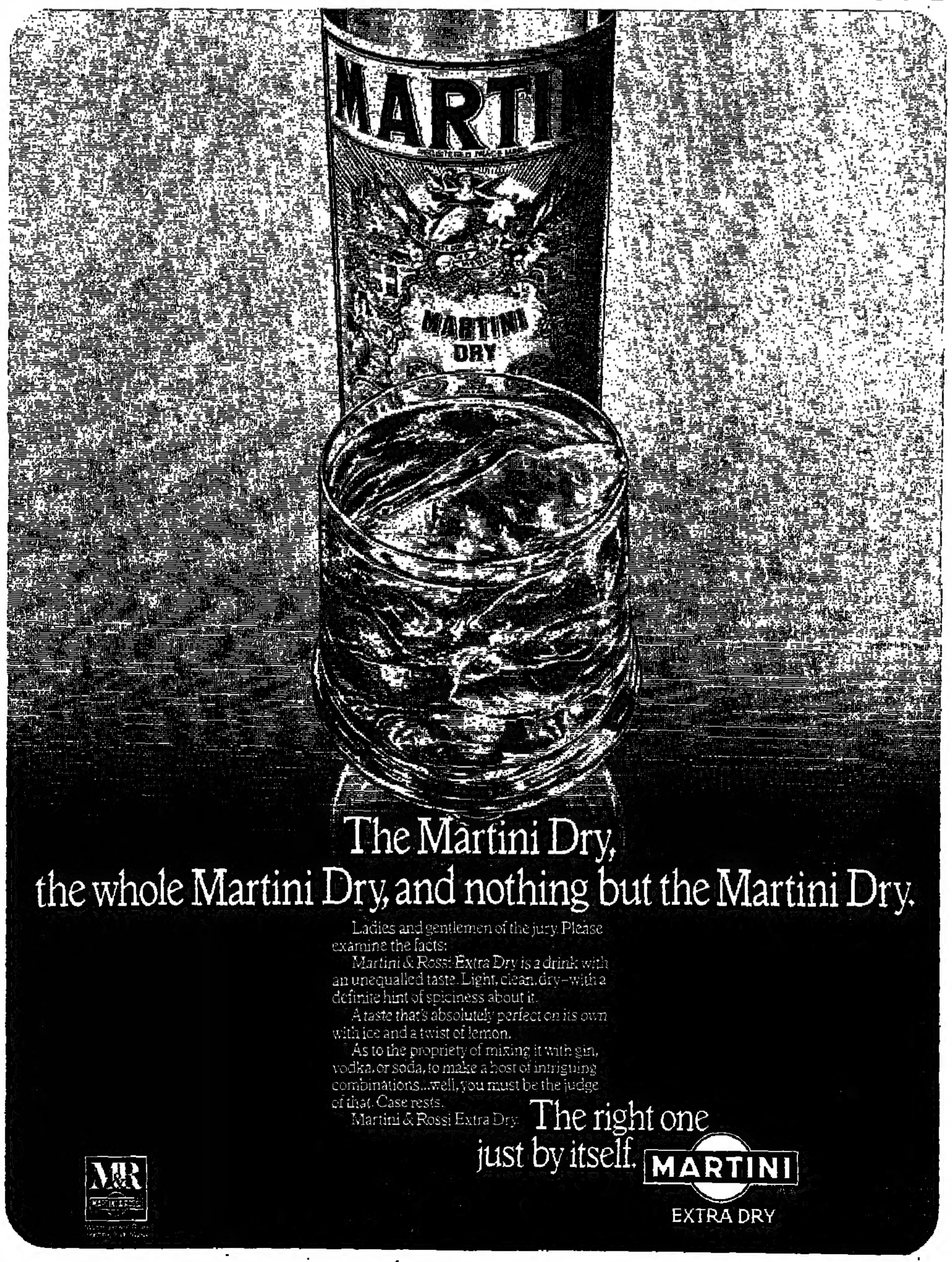
Ethiopians Said To Halt Drive Of Somali Forces

DJIBOUTI, Oct. 30 (Reuters).—Ethiopian troops have halted the advance by Somali forces through eastern Ethiopia near the Dacata River about 30 miles east of the strategic mountain city of Harer, informed sources here said today.

Harer was the next objective in the Somali advance but the sources said Ethiopian forces still controlled both banks of the river, about halfway between Harer and Jijiga. The Somalis have controlled Jijiga since Sept. 15.

Diplomatic observers said the advance by Somali forces appeared to have stalled in the highlands east of Harer after their swift victories in late summer in which they took most of the Ogaden Desert.

They said that the Ethiopians, who are now believed to be getting new Soviet-supplied tanks and other weapons up to the front line, were holding back their counter-offensive.



INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post

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A Special Debt

It is not hard to understand why Vietnam veterans are looked upon differently from veterans of other U.S. wars. The war was different: limited in its objectives, unconventional in the way it was waged, bitterly controversial even in its early stages, eventually overwhelmingly unpopular—and in the end unwon. And so there is a natural tendency to want to walk away from the wreckage and not to tend to that part of the unfinished business that has to do with the emotional, psychological and economic problems of hundreds of thousands of those Americans who served in the Vietnam era. Many of them are out of work, in need of education or vocational training. The employability of many has been burdened by less-than-honorable discharges, meted out in many cases to men who served in combat, were wounded and even won decorations, but fell victim to the war's pressures and got into trouble after honorable service. The plight of those who served is well documented. But, somehow it has never seemed to merit the swift and sweeping attention accorded to those who did not serve—the draft evaders, whose blanket pardon was the first order of business for the Carter administration.

This state of affairs is something we have been deploring on a fairly regular basis. Early in January, we urged the incoming administration to balance the pardon of the draft evaders with comparable compassion and forgiveness for deserters, and with redoubled efforts to deal with the other problems afflicting Vietnam veterans. Last week, at Veterans' Day ceremonies in Arlington Cemetery, Mr. Carter gave what amounted to a thumbnail report on what he believes he has done subsequently to discharge what he called "a special debt of gratitude on the part of American people to those . . . who served in Vietnam, because they have not been appreciated enough." Now those are fine and welcome words. But if you closely examine the President's summing-up and if you look at what seems to be happening to a piece of legislation directly affecting Vietnam veterans that is now before a conference committee in Congress—we think you will agree that the problem of the Vietnam veteran is still something that far too many people would rather talk about than do much about.

* * *

Praising Congress for having "responded well," the President talked in a general way about his efforts to increase Veterans Administration compensation and pensions, spoke specifically of increased GI-Bill coverage and a Carter administration jobs program for veterans, and took credit for reversing an effort to reduce from 10 years to eight the deadline for veterans to use their educational entitlements after they leave the service. On this last point, it need only be noted that this was a Ford administration economy gesture that needed no reversing since it had no prospect of congressional approval.

As for the jobs program, announced with much fanfare in the first month of the Carter presidency, the results to date would argue against even bringing up the subject. According to the Bureau of Labor Statistics, unemployment in the Vietnam-era age group is higher now than it was when the President's program was announced, and there is little evidence that veterans themselves are having an easier time finding jobs; only a tiny fraction of some $140 million appropriated in May to help private industry offer training programs for Vietnam veterans has yet been obligated.

* * *

The President did not mention his special program for reviewing and upgrading "bad paper" discharges. Administered unaggressively, it reached only 16,000 of the 161,000 who were potentially eligible. And its usefulness was seriously undercut when Mr. Carter, against the advice of key administration figures, refused to veto legislation that will make it markedly more difficult for those whose discharges are upgraded to restore their entitlement to benefits.

Finally, when the President speaks approvingly of increasing GI-Bill coverage, he obviously isn't referring to the current effort by Senate conferees—without administration support—to win acceptance of a complex restructuring of educational benefits. This admendment would not only give Vietnam veterans an extra two years to take advantage of education benefits, but would also permit accelerated use of total tuition entitlements to allow for heavier tuition payments over a shorter period. This latter provision would remove a severe disadvantage imposed upon veterans in the Northeast and Midwest who lack access to low-cost public institutions where the most effective use of GI benefits can be made. It would also be a big help to unemployed veterans, many of them with families, whose greatest need is not a university education but relatively short vocational and technical training. But the latest word is that it is in imminent danger of being quietly scuttled in conference.

If the President is seriously looking for ways to discharge that "special debt" he spoke of, he could begin right now by throwing his weight on the side of the Senate conferees in an effort to rescue the accelerated tuition bill. Representatives of the Vietnam veterans believe that, with congressional approval of the important changes that this bill would make in the existing program of educational benefits, much of the remaining unfinished business of the Vietnam war could probably be dealt with by forceful and compassionate administration of programs already provided by law.

THE WASHINGTON POST.

Hijackers' Heaven

Lovely country, Algeria, if you're a hijacker. It's now the one place remaining in the world where you can be absolutely sure of sanctuary and tender treatment. Why, if you hie off to Algeria and demand, as a Japanese group recently did, to keep the ransom you've just exacted from somebody else and to be spared extradition and to be allowed to leave later as you please and even to avoid being photographed, then Algeria will gladly accommodate you. It's hinted that if, in addition, you wish the prime minister to don a white jacket and serve you breakfast, that too can be arranged.

Just why Algeria decided to make itself into a hijackers' heaven is not clear. Some suspect that the country wants to keep faith with those Palestinians who are still in the terror business—anything for the revolution, you know. Others see the policy as a form of continuing rebellion or revenge against international civilized society. We don't profess to understand, but we do note with astonishment that Algeria is prepared not only to cater to hijackers but actually publicly to defend doing so. Its principal argument is that, by its policy, lives are saved. "Experience shows," the Algerians said the other day, "that only by responding to skyjackers' demands has loss of life been avoided."

But of course. Leave all the bank vaults open and there will be no bank-robbery fatalities: only peaceful transfers of bank notes. Give hijackers everything they want—money, safety, victory and the liberation of imprisoned mates—and they will have no need to kill anyone, unless they are feeling exceedingly nervous or vicious. The logic is flawless and, at the same time, absurd. Algeria, by advertising itself as the country of asylum, provides an incalculable incentive to hijackers to undertake an act that otherwise they might fear and forgo. Algeria's policy is not so much wrongheaded as criminal. Why must it be indulged? Why do responsible nations have air-transport contacts—or, for that matter, diplomatic contacts—with that outlaw state?

THE WASHINGTON POST.

International Opinion

A Courageous Fight

Who can look on the pictures of the thin, frail wraith that Sen. Hubert Humphrey has become without saluting his courage?

With the shadow of terminal cancer hanging over him, Sen. Humphrey insists on maintaining his public life—the hand outstretched as readily as before, the smile almost as broad.

He could so easily have crawled away. Instead he is fighting his fight in public.

Miracles do happen, and thousands will pray for a miracle in Sen. Humphrey's case. But whether he wins or loses this particular battle, even his most bitter political opponents will give credit to Hubert Humphrey for the way he has chosen to face it.

—From the Sunday Express (London).

In the International Edition

Seventy-Five Years Ago

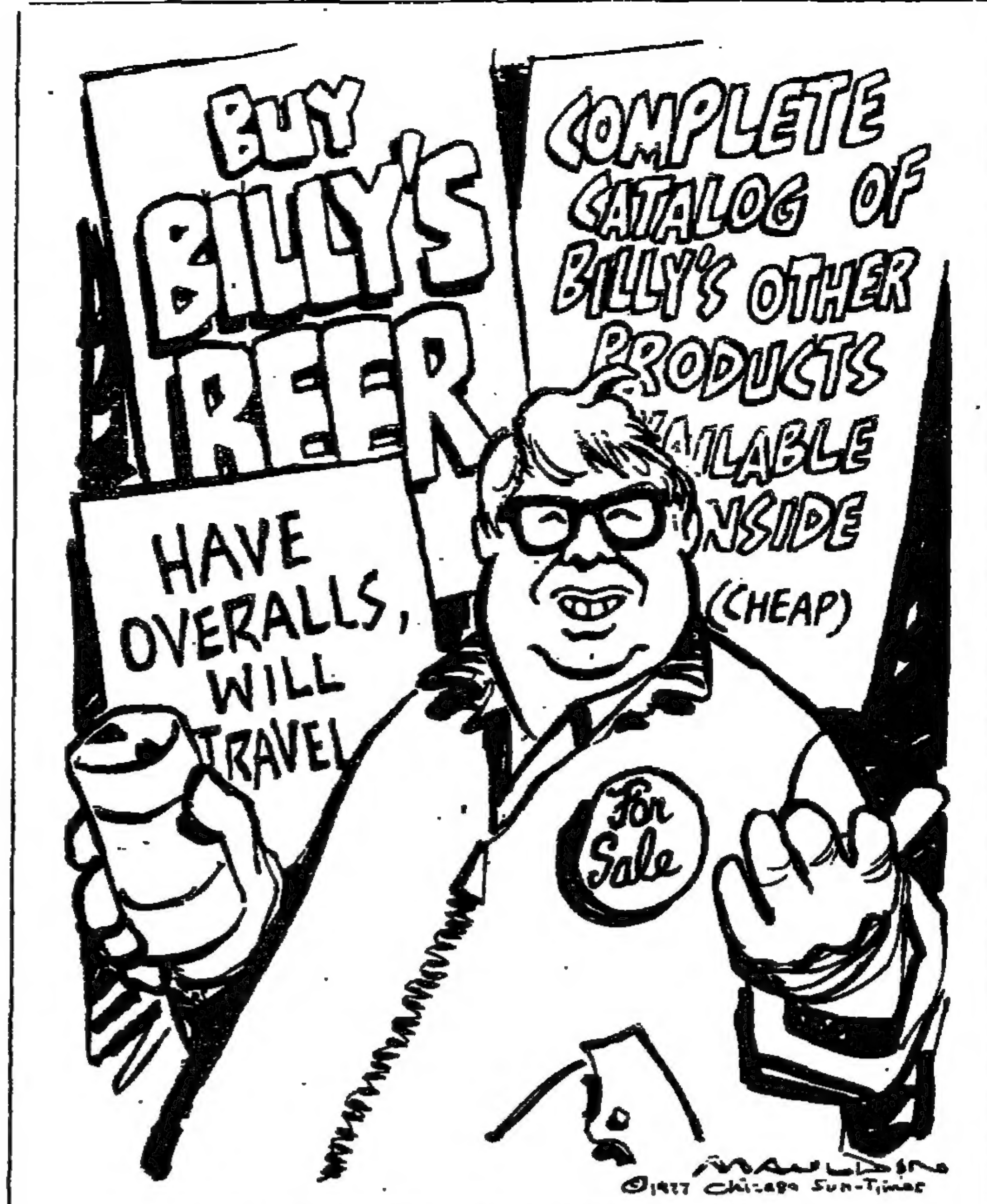
October 31, 1902

NEW YORK—The town of Altman-Cripple Creek, Colo., has had its streets paved with material from the Pharmacist mine recently. Some of the pavement was then assayed and yielded gold to the amount of four pounds a ton. Immediately following the announcement of the assay, people began carting off the surfaces of the streets until the police interfered and stopped them.

Fifty Years Ago

October 31, 1927

LONDON—Darkest Asia's greatest archaeological mystery has been solved by the discovery of the tomb of Genghis Khan, the Mongolian conqueror, 700 years after his death, near the ruins of the dead city of Khara Khoto in the Gobi Desert. An article in today's Sunday Express states that the discovery was made by Professor Kozlov, a Russian explorer, who has been in Central Asia since 1883.



'I Don't See Nothin' Wrong With the Economy.'

The Keeper of the Conscience

By Joseph Kraft

WASHINGTON.—The glowing tributes paid to Hubert Humphrey here last week express more than high personal regard. They also reflect an uneasy sense of something missing from the Senate, and perhaps the country at large.

I mean persons of national stature who also serve as keepers of the national conscience. That is to say, leaders who can rally the country in times—not of danger, which is relatively easy—but of confusion.

It is especially important now to see Sen. Humphrey, warts and all. He might not have made a good president. He lacks the killer instinct, and the capacity to hurt those who would do him in. Hence his inability to stand up to Lyndon Johnson on Vietnam.

Erratic Timing

If not a downright poor politician, moreover, his sense of timing is at least erratic. He took on John Kennedy and George McGovern at the wrong moments in 1960 and 1972. He did not know how to take on Jimmy Carter in 1976.

Good nature has occasionally made him a poor judge of people. Certainly no man ever derived less luster than Humphrey from his staff. Finally, he does not even make a pretense of efficient management. "I'm a fellow who likes to set out the big building blocks," he often said of himself. "I let other people come along and apply the mortar."

On the big building blocks, though, he had no peer. In season and out, when it was popular and when it was unpopular, Sen. Humphrey has been right on the great issues of the time. He has been right on civil rights—from his debut on the national scene at the 1948 Democratic Convention to the present. He has been right on arms control from the early 1950s, when it was a loser, to the full flush of détente and after. He has been at all times right about using the power of government to promote economic welfare and better living conditions.

Only extraordinary personal qualities enabled Sen. Humphrey to stay so long with issues that went into fashion and out. It has happened to me more than once to write stupid things which rightly provoked his ire. But anger waned with its expression.

Sen. Humphrey nurses no grudges and bears no malice. He is the foremost national example of goodwill at work. His own case provides the rationale for what he called the politics of joy.

His undoubted belief in the goodness of mankind vaulted his personal interest above self-interest to the level of the public interest. His causes were felt to spring from the heart, not ego trips. Whatever his stance, Hubert Humphrey was not a man whom other people long hated, feared, or mistrusted.

Thus a career hitched to great issues survived their ups and downs, and positively thrived in periods of uncertainty and doubt. In good times or in bad, a senator who stood with Sen. Humphrey never had to fear losing a thread from the toga. Win or lose, groups that backed Sen. Humphrey maintained a respectable position. Right or wrong, he could be trusted.

The absence of trust, in the Senate particularly but also in political life generally, now makes his example shine more brilliantly. The Senate is currently torturing itself on the energy question. Why? Because producer interests do not trust a President who reneged on a pledge to deregulate natural gas, and consumer interests do not trust the basic instincts of the Senate majority leader and the chairman of the Senate Finance Committee.

Nor is the lack of confidence a transient matter of the personalities temporarily holding down positions of power. Television is the principal medium by which political leaders now attain national stature. It smiles upon those who know how to package themselves in ways that play on the half-conscious hopes and fears of the massed audience. It deals woe unto those who specialize, as Sen. Humphrey has done, in deliberate articulation on identifiable issues.

So an almost desperate timeliness reinforces the praise of Sen. Humphrey on his merits. Neither in the Senate nor in the country shall we see his like soon again—if ever.

Letters

'Sermons' on Rights

As the issue of interference in domestic affairs is revived by the Russians resenting what they call "sermons" on human rights, it is perhaps timely to recall that the Bolsheviks merely repeat the performance of their Czarist predecessors who had no greater respect for the rights of man, especially where Jews were concerned.

When they employed the same argument to ward off criticism, the U.S. Jewish leader Jacob Schiff, in 1905, wrote to President Roosevelt insisting that it was "the duty of the civilized world to intervene" so as to forestall that "anarchy and chaos" which was bound to ensue.

Prophetically, he cited "the lesson that even the greatest and most powerful, whether an individual or a whole empire, cannot sin and go unpunished, and that sooner or later justice from on High will overtake even the mightiest of nations."

C. C. ARONSFELD.
Harrow, England.

Financial Views

Re certain items (IHT, Oct. 26): Perhaps Vietnam could resolve its financial dilemma in meeting its assessment to the United Nations, $40,000 a year, by selling some of the U.S. military hardware left behind after the latter's withdrawal from the southern part of their country, to some nonbelligerent organization like the World Council of Churches. This would cut out the purchase of arms by groups struggling for independence, to which the World Council of Churches gives up to $500,000 a year in nonaccountable contributions in their program to combat racism and spread faith amongst humanity.

Jeffrey Robinson in his "Monopoly" article states that the U.S. Mint printed $22 billion in 1975 in real money. A lot of dollar-income friends, living in Switzerland, might raise an eyebrow at the use of the word "real." After all, there are not many countries where the cost of a cup of coffee ranges from 65 to 75 cents in "real" money.

The most enjoyable item, however, was Orson Bean's editorial page piece, "Ready To Face Tomorrow." Could we have more from this "eccentric" in future editions.

LEE WALDRON.
Geneva.

Wearing Thin

Bravo to Hebe Dorsey for telling the true story about the chaotic French ready-to-wear shows (IHT, Oct. 25). Some of these houses don't seem to realize that the people getting treated like animals are making them rich—the buyers and press, whose space would be worth a fortune if paid for in advertising.

SUZY PATTERSON.
Paris.

The International Herald Tribune welcomes letters from readers. Short letters have a better chance of being published. All letters are subject to condensation for space reasons. Anonymous letters will not be considered for publication. Writers may request that their letters be signed only with initials but preference will be given to those fully signed and bearing the writer's complete address.

Andropov Disease And How to Treat

By C.L. Sulzberger

WASHINGTON—While he recently predicted in a study prepared together with two other experts on the spread of reforms in the theory and practice of intelligence that even Moscow would ease certain brutalities, Prof. Stevan Dedijer of Sweden's Lund University stresses that as of now—and despite the Helsinki accord on European security—the Soviet secret police are still rigorously squashing dissidents by harsh practices.

Dedijer especially emphasizes the KGB (secret police) habit of trying to mold uniformity of opinion by incarcerating in mental hospitals those who disagree with Communist philosophy and methodology as it is now applied in the Soviet Union. To support this thesis he quotes in extenso from a speech made last month in Moscow by Yuri Vladimirovich Andropov, chairman of the Soviet State Security Committee and therefore boss of the entire KGB apparatus. Among those who listened to his address were Brezhnev, Kosygin and Gromyko.

'New Type of Man'

The security chief asked a particularly salient question: "How can one explain that after 60 years of Soviet power there still exist in the Soviet Union the so-called "inakomislyayoshi"? This means "those who think differently" and represents what the West has come to call "dissidents."

According to the KGB analysis: "We know from the writings of Marx and Lenin, and from life itself, that the education of a new type of man requires an exceptionally long time and effort—much larger, even, than the accomplishment of deep-going socio-economic changes."

The belief that "a new type of man" can be manufactured was called "human engineering" in Stalin's day and caused the Soviet government to place heavy reliance on an artificial pseudo-science of genetics that was later demonstrably proven to be false and wholly dropped.

Because of the "exceptionally long time and effort" required, Andropov acknowledged, there is still "divergent thinking" in the Soviet Union. He explained that this stemmed from various causes: political and ideological "delusions," religious fanaticism, nationalist prejudices (meaning from different nationalities in the multilingual Soviet state), personal problems, resentment at a failure by individuals to gain the recognition they fancied they deserved, and—finally—"psychic instability."

The last condition is that most generally employed as a catch-all explanation by Soviet th[...] for the existence of di[...] groups. It is also the exc[...] frequently incarcerating su[...] sidents in mental institu[...]

Explicit

Andropov himself was [...] about this strange theory [...] litical psychiatry and said [...] who suffer from such de[...] (i.e., a failure to conform [...] endeavor to help, endea[...] confine and endeavor to di[...] their delusions."

Dedijer, in a separate [...] of the KGB chief's speech [...] to these "delusions" a[...] Andropov disease." In [...] course, it long preceded t[...] rent security chief both [...] pression of such oppo[...] "delusions" despite th[...] purges and in the preten[...] they can be "cured" by [...] detention in an insane [...]

As a matter of fact, th[...] practice antedates the B[...] Revolution and was on [...] used by the Czarist secre[...]

It is astonishing, never[...] that Andropov should a[...] and publicly assert that [...] to endorse the Soviet ma[...] Communism (or, as it [...] called in the Soviet Uni[...] cialism") is a sign of [...] illness and can be cured [...] psychological treatment, [...] even more pretentious q[...] than the phony gene[...] Trofim Lysenko during th[...] part of the Stalinist era.

Disturbing

Moreover, it is a di[...] symptom of the possibly [...] anced mental condition [...] Soviet leaders that they [...] feel it necessary to st[...] public that discontent [...] mon human failing) as e[...] by political dissidence is [...] merely on "delusion"—th[...] example, of the famous [...] physicist Andrei Sakharov.

A further and far more [...] dve analysis of this [...] based on a study of "[...] and psychic diseases". [...] Soviet doctors and acade[...] will be discussed in a sub[...] column. But what is to th[...] here is that, hard on th[...] of the Andropov speech, [...] and two associates at L[...] predicting that this K[...] proach and practice [...] "discontinued."

"It has become such an [...] national scandal," they a[...] even Communist parties [...] the Soviet Union are [...] Moscow to end this barb[...] and when it is dropped [...] be good for Moscow's se[...] if the theory's best-kno[...] rent exponent, Andropo[...] dropped with it.

U.S. Faces Cruise Missile Cris[...]

By Rowland Evans and Robert Novak

WASHINGTON.—Secret computer studies show that the existing U.S. Cruise missile would not have a chance to penetrate the Soviet Union's sophisticated defense system, a revelation acutely embarrassing to President Carter and threatening to the prospective SALT-2 agreement.

The studies, conducted jointly during the summer by a private contractor and the Pentagon, found that a scheduled "live" test would result in the Tomahawk Cruise missile being shot down by U.S. defenses. Consequently, the Defense Department two weeks ago canceled the "live" test and substituted a "dead" or simulated test. That was intended to sidestep severe embarrassment for the weapon which became strategically crucial when Mr. Carter shelved the B-1 bomber.

But word has filtered out of the Pentagon, giving ammunition to Capitol Hill critics of the Carter defense policy. The new Strategic Arms Limitation Agreement (SALT-2) being negotiated in Geneva becomes more vulnerable than ever to criticism that it gives the Soviet Union a dangerous advantage.

A Defense Department spokesman told us there was no computer study made and that there will be "live" tests of the Tomahawk. But our sources at the Pentagon reaffirmed in detail the story of the Cruise missile crisis.

A Global Weapon

The President's unexpected decision against B-1 production transformed the Cruise missile from a theater to a global weapon. The Tomahawk, the only existing Cruise missile, was developed as a sea-launched weapon but eventually will be launched from heavy bombers. As such, it is now a critically important U.S. strategic weapon.

The Tomahawk was to be tested beginning Dec. 6 at Nellis Air Force Base in Nevada against the U.S. Hawk air defense system on a "live" basis—the surface-to-air missile actually sent against the Cruise missile (which would be launched from a slow-flying aircraft). But the computer studies showed that the Hawk radar would locate the Tomahawk and a surface-to-air Hawk missile would shoot it down.

The implications are unnerving. The Hawk is similar to the Soviet SAM-3 system, which the Russians consider obsolete and peddle to their client countries. If the Tomahawk cannot get past the SAM-3, what chance would it have against the far more advanced Soviet SAM-10 now guarding the Soviet homeland?

Accusation Planned

The decision was made to scrub the "live" test, firing the Tomahawk but not actually dispatching the Hawk surface-to-air missile—thereby saving the glamour weapon the indignity of being shot down. Instead, the test will be simulated on a computer in a "dead" test.

Rep. Jack Kemp of New York, an important Republican voice on defense, plans to take the House floor to accuse the Defense Department of "rigging" a test. At the least, experts believe a simulated test always poses the temptation of self-deception.

Actually, there have been precursors of the Tomahawk's vulnerability. The radar of the F-15 fighter has picked up a Tomahawk in flight. Testing the Tomahawk against radar aircraft scheduled through next April at the China Lake and Point Mugu naval test sites in California now becomes the source of ap[...] sion at the Pentagon.

Although the Cruise [...] team has boasted tha[...] weapon presents radar [...] section the size of a seag[...] may be too big. Further[...] ing the cross-section or [...] ing the missile's speed w[...] quire major changes. [...] there room on the Cruise [...] for anti-radar counterm[...] the miniaturized motor a[...] head take up all the [...] space.

Thousands Nee[...]

"I'm very much afr[...] technical expert told us [...] the Cruise missile is ab[...] weapon generation awa[...] being able to penetrate [...] defenses." Other experts [...] a swarm of Tomahawk[...] overrun Soviet air defens[...] that would require thous[...] Cruise missiles, a number [...] planned for production n[...] mitted under the pro[...] SALT-2 treaty.

Yet, without a B-1 [...] Soviet superiority in hea[...] siles would provide all th[...] lopsided a strategic advan[...] the Cruise missile cou[...] penetrate Soviet defenses. [...] fore, even though it lost th[...] for the B-1, the Air Force [...] perate for a penetrating [...] and is pushing for a re[...] FB-111 (the old TFX) as [...] stitute.

In the absence of a pene[...] bomber, the Tomahawk's [...] to get by even obsolete [...] fenses is of the most inte[...] terest. If it cannot pass [...] test, the credibility of the [...] U.S. strategic arms polic[...] doubt.

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Paul Calls for Religious Freedom

Pontiff Issues Rights Appeal as 5th Synod of Bishops Ends

By Louis Fleming

ROME, Oct. 30.—With an appeal for religious freedom throughout the world, Pope Paul VI yesterday ended the fifth synod of bishops.

"There are many nations in which the right of individuals to religious freedom, the right of families to train their children, the right of religious communities to educate their own members is suppressed or at least unjustly restricted," he said.

"Human rights should be respected by government leaders for the good of their nations," the Pope said.

The appeal responded to repeated expressions of concern from among the 204 bishops who have participated in this monthlong meeting. Most of these appeals for help have come from bishops in nations where their freedoms are curtailed, according to Archbishop Joseph Bernardin of Cincinnati, president of the U.S. Conference of Bishops.

Main Theme

But the Pope's appeal also was appropriate to the theme of this synod, which has dealt with catechesis, that is, the task of developing and enriching the faith of Church members. Government interference can make that task virtually impossible, the bishops were told.

The synod has shown a sense of urgency regarding the task of strengthening faith because of the world situation, marked by changing moral values, political controversy, and, in many areas, declining Church membership and an alienation of young people from Church activities.

The synod has served primarily to affirm the trend in Roman Catholic catechesis away from instruction centered on memory work by young people toward more emphasis on developing a faith that permeates all parts of life, especially that concerning social justice.

The message issued yesterday by the bishops sought a middle ground. It said the memorizing of fundamental Church materials will still be used but recognized the importance of giving witness to one's faith.

New Commitments

"One of the principal tasks of catechesis today is to encourage and sustain new forms of commitment, especially in the field of justice," the message said.

The message included two innovations. The bishops for the first time supported the right of common catechesis with non-Roman Catholic Christians, although this is to be restricted to instances deemed appropriate by the bishops concerned. The bishops also went beyond the usual emphasis on parish, family and school to support also small groups as an important element of strengthening faith.

The message issued yesterday was general in form. The more important document, an apostolic exhortation or other papal declaration, will be made in the next year or two. The bishops have sent a summary of their work to serve as the basis of that statement to the Pope.

Pope Paul created the synod of bishops 12 years ago. The first synod was held in 1967. Initially it was thought that the regular convening of bishops might be a way to share the rule of the Church but Pope Paul has used the synod only for consultation.

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Associated Press.

Pope Paul talks with Paul Cardinal Munoz Vega of Quito, Ecuador, during beatification ceremonies in Vatican City yesterday for Brother Miguel Francisco Febres Cordero of Ecuador and Brother Mutien Marie Wiaux of Belgium.

Polish Meeting

WARSAW, Oct. 30 (WP).—Polish party leader Edward Gierek met yesterday with Polish Roman Catholic Church leader Stefan Cardinal Wyszynski. It was the first official contact between the two men since Mr. Gierek came to power in 1970.

In a communiqué yesterday, the Polish mass media said that "views were exchanged on very important national and Church matters which have a weighty significance for the unity of Poles in the work of shaping the well-being of the Polish People's Republic." It appeared that the two leaders discussed national problems rather than Church-state affairs.

Official sources said yesterday that the conservation was "not very concrete and did not touch on Church demands."

2 Brothers Beatified

VATICAN CITY, Oct. 30 (Reuters).—Pope Paul today beatified two members of the Christian Brothers order, from Belgium and Ecuador, who dedicated their lives to teaching, in a ceremony at St. Peter's Basilica. The beatification ceremony normally precedes canonization in the Roman Catholic Church.

The Belgian brother, Mutien Marie Wiaux, born in 1841, spent more than 50 years teaching music and drawing. Brother Miguel Francisco Febres Cordero, born in Cuenca, Ecuador, in 1854, suffered from polio as a child and dedicated most of his life to writing religious teaching books.

Four Plead Not Guilty In Chicano Drowning

HOUSTON, Oct. 30 (AP).—Four former Houston policemen have pleaded not guilty to federal charges of violating the civil rights of Joe Campos Torres, a Mexican-American laborer who drowned while in police custody.

U.S. District Court Judge Ross Sterling set a trial date of Dec. 5, and gave attorneys 25 days to file motions, one of which is expected to be a request for a change of venue.

Millie Miller, 54, MP for Labor, Dies in London

LONDON, Oct. 30 (AP).—Millie Miller, 54, a Labor party member of Parliament, died last night after a long illness, it was announced today.

The death of the first-term legislator increases the Labor government's overall deficit in the House of Commons to five. With the help of the Liberal party, however, Prime Minister James Callaghan can command a small majority.

Mrs. Miller won her seat in Ilford North, just outside London, by a mere 778 votes, making it vulnerable to a Conservative party challenger when a new election is held.

Rasha Plaovic

BELGRADE, Oct. 30 (UPI).—Rasha Plaovic, 78, Yugoslavia's most distinguished actor and a pioneer director of plays in Serbo-Croatian, died yesterday after a long illness.

J. Glenn Gray

COLORADO SPRINGS, Colo., Oct. 30 (UPI).—Philosopher J. Glenn Gray, 64, who supervised English translations of the contemporary German philosopher Martin Heidegger for Harper & Row publishers, died yesterday of a heart attack at his home.

Joshua Berman

LOS ANGELES, Oct. 30 (AP).—Joshua Berman, 12, the son of comedian Shelley Berman, died of cancer yesterday at Cedars-Sinai Hospital, a family spokesman said.

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INSIGHTS/SIDELIGHTS

PARIS, MONDAY, OCTOBER 31, 1977

The French, Moving Toward Elections, Debate Their Basic Political Structures

By Jim Hoagland

PARIS (WP).—The cameras had finished grinding for the day and extras in a war movie being filmed in southern France began to assemble for dinner in a makeshift canteen. Their separate paths formed a tribute to what Charles de Gaulle called the eternal France.

The extras all came from the same village of the Midi. Most were friends. They had been assigned roles as officers or enlisted men on the basis of height and looks.

But as they moved across the dining room the villagers playing French Army officers grouped together at the same table. Across the room, the "enlisted" extras automatically sat down together.

It is a story Frenchmen tell about themselves, in their own blend of veneration and mistrust of the foibles that set them apart from other nationalities. It is a bittersweet story dedicated to France's thousand-year history of centralization, rigid class structures and excessive concern with authority.

Moment of Definition

The story comes out of the intense self-examination being conducted by the French as they approach one of the most crucial election campaigns in their recent history. Beyond the campaign, France is approaching a moment of definition as well as of choice.

That choice is framed by three decades of transformation that has passed unnoticed to many outside France. From a nation that proudly based its economy and its society on quality agriculture and small business, France has exploited Western Europe's most consistent rate of industrialization to grow into the world's fourth largest trading nation behind the United States, West Germany and Japan.

France today builds more cars than does West Germany. French consumer spending and per capita gross national product hover only slightly below the levels of the three other big manufacturing nations. French factory workers put in longer work weeks than laborers in the other Common Market countries, and last year they lost, proportionately, half as much time through strikes as U.S. workers.

These are statistics the government is proud to trumpet. There are others, from a different France, that are less pleasing to officials.

It is a France in which 60 per cent of the income taxes due the government are lost through a system of tax evasion and avoidance that is more or less tolerated by the government, according to economist Pierre Eury. Personal income taxes bring in less than 15 per cent of the revenues available to the government, which depends on a brutally regressive value-added sales tax system that hits workers and the poor hardest.

It is a France with a wide gap between rich and poor. The richest 10 per cent of the population absorb nearly a third of the after-tax income of the nation, while the poorest 10 per cent get one-fiftieth of the national income, according to a recent study of countries in the Organization for Economic Cooperation and Development.

In the broadest sense, France is conducting a national debate on these two sets of statistics. The country is seeking to determine if the political structures that have come down through its long history, and more particularly from Charles de Gaulle, are workable after the recent sweeping industrial changes. These changes have created a strong middle class enmeshed in consumer and social patterns that are more akin to other Western countries today than those of France three decades ago.

That middle class has yet to find the kind of centrist political expression which has emerged in other parts of Europe, where deeply entrenched class and political structures have responded to change.

The conflict of politicians and parties erupting in France has envenomed the larger debate and helped obscure its more precise formulation: Is there a social democracy struggling to emerge from the traditionally polarized French political system? Is there, in fact, the possibility—or the need—in France for the kind of managed capitalism that prevails in varying degrees in West Germany, Scandinavia and Britain?

The aloof aristocrat who inherited Gen. de Gaulle's position but not his grandeur, President Valéry Giscard d'Estaing, feels there is. He argues that the rapid change in France has created a "floating" majority of essentially middle-class voters who want mild reforms in the system and whose interests are not represented by the ideological extremes that have dominated French politics in the past.

Electoral Strategy

Mr. Giscard d'Estaing is basing his electoral strategy for the March, 1978, National Assembly elections around the conviction that France has to be governed by "the center." France no longer can afford to be cut in half by the struggle between parties dedicated to preserving or destroying the existing order of wealth and privilege, the President argues.

Most of France's other political leaders remain unpersuaded, however.

"Voters in France do not correspond to social conditions," said Michel Rocard, the Socialist party's top economic spokesman. "One-third of the manual laborers in France vote for the right wing. And one-third of the managerial class votes for the left today. Those who back the centrist notion are forgetting the terrific weight of history in France."

Rebuilt Party

An associate of Gaullist leader Jacques Chirac summed up the rightist view: "Look, that centrist stuff is hogwash. The only way to get through to French voters is to appeal directly to their emotions, to get them by the genitals or by the tear glands."

Mr. Chirac makes no secret of his intention to dominate the March elections and eventually the country by continuing to stoke the ideological fires that Mr. Giscard d'Estaing wants to consign to France's past.

"On one point, the Communists and I agree," Mr. Chirac recently told a Gaullist party conference. "You do not go halfway down the road to Communism."

Mr. Chirac has rebuilt the Gaullist party into a conventional political group held together by conservative ideology rather than the mystical appeal of Gen. de Gaulle. Mr. Chirac angrily resigned as Mr. Giscard d'Estaing's Prime Minister last year in a dispute over the President's hopes for a small opening to the left of the parliamentary coalition that has dominated the National Assembly since 1958.

Mr. Chirac thus is a clear threat from the right to Mr. Giscard d'Estaing's presidency. Mr. Giscard d'Estaing has told friends that Mr. Chirac poses a greater immediate danger for the French republic than do the French Socialists or the Communists, according to reliable reports.

The comment reflects not only the bitter antagonism, if not hatred, the two men feel for each other but also casts a long shadow over the choices available to Mr. Giscard d'Estaing after the March elections.

The configuration of the next National Assembly will be key evidence in their personal battle for vindication, the result of a tooth-and-claw fight for power by the four main parliamentary groups—the Communists, Socialists, Gaullists and Centrist supporters of Mr. Giscard d'Estaing.

It appears likely that the March voting will give Mr. Giscard d'Estaing a chance at fashioning a political center at the expense of the rightist and leftist blocs. But a fragmenting of those blocs, unless dealt with by creative statesmanship, could produce a period of uncertainty and tension and a quick return to the polls for a more highly polarized electoral battle.

Decisive Factor

The most decisive factor is almost certain to be the number of National Assembly seats captured by the Socialists, a politically and socially heterogeneous organization which has emerged from the murky political landscape the French call "the swamp" to become the largest party in France today.

"The swamp" occupies the space between the Communists and the Gaullists, who have been the durable poles of French politics since World War II, when they fought each other while fighting the occupying German Army. Each commands a one-fifth to one-fourth share of the popular vote, totals that are based largely on unexamined class loyalties and on the lingering aura of the parties' Resistance records.

The Socialist party was formed in 1971 from the remains of the center-left and leftist parties that Gen. de Gaulle displaced when he came to power in 1958. The Socialists could barely claim 15 per cent of the vote then. Today, national polls project a minimum 30-per-cent share of the electorate for the Socialists and some estimates range up to 40 per cent.

Moreover, the Socialists have won over a disproportionately large share of France's brightest young civil servants, parliamentarians and academics.

"The barons of Gaullism were so afraid of being eliminated from power after the explosion of May, 1968, and after De Gaulle quit that they closed the organization in on itself," said 27-year-old Isabelle Mommessin, a disillusioned but still loyal Gaullist.

Electoral Pact

"Two things happened then," she added. "The young managers and intellectuals who had no decision-making power in the present and who had hopes for the future went over to the left. And Chirac came as an outsider to take the Gaullists away from the barons."

The Socialists also gained credibility through the Common Program electoral pact they signed with the Communists in 1972. Without committing themselves to radical measures, they built up their image as a party that stood for social justice and the working class. And they clearly drew much of their new organization strength from young leftists who normally would have gone into the Communist party but who instead went into the revitalized Marxist wing of the Socialists.

"We have been trying to deal with the Communist phenomenon in France in part by draining it of its new strength," a Socialist party strategist admitted. "You will always have a Communist party in France. The question is whether it will be weak or strong, Stalinist or moderate. Just keeping it in the ghetto, as the Gaullists and the Americans want to do, will never encourage the more moderate wing of the party to come out on top."

But the Communists seemingly chose to move back into the political ghetto last month by pushing negotiations on an updated version of the Common Program to the breaking point. They have bitterly attacked the Socialist leaders, and particularly the party's secretary-general, François Mitterrand, for allegedly preparing to make a deal with Mr. Giscard d'Estaing for a center-left government after the elections.

The criticism has indirectly resurrected the image of Mr. Mitterrand as the Proteus of French politics, constantly changing shape as political circumstances alter. Mr. Mitterrand, who comes from an affluent and religious family, served both as colonial minister and interior minister during the worst days of the Fourth Republic. It was his willingness to oppose Gen. de Gaulle, rather than any fervid commitment to socialism, that made him an important figure in the 1960s.

Both Socialists and Communists have suspended political cooperation while they feud over the terms of the joint campaign platform. Despite the bitterness of their attacks, they could patch together a limited electoral pact for the March balloting under which they would agree not to oppose each other in runoffs.

But enormous damage appears to have been done to the once-strong prospects of a Socialist-Communist coalition holding a working majority in the 490-member National Assembly and forcing Mr. Giscard d'Estaing to appoint a cabinet including Communists. The arithmetic of assembly seats appears to have replaced ideology as the key factor in the immediate future by providing Mr. Giscard d'Estaing with more room to maneuver.

Opinion Polls

Public opinion polls conducted for some of the parties and for the Ministry of the Interior suggest that the Socialists will emerge as the largest party in the assembly with about 160 seats. The Gaullists should fall from their current 173 members to between 120 to 140. Mr. Giscard d'Estaing will be able to muster slightly more than 100 Centrists and Independents, while the Communists should win about 75 seats.

With no clear majority for any group and a projected loss of electoral authority for the Gaullists, Mr. Giscard d'Estaing should be able to choose between trying to keep afloat a technocratic cabinet based on his current Prime Minister, economist Raymond Barre, or making a serious effort to split off the moderate wing of the Socialists and form a center-left government with them.

Moreover, Mr. Giscard d'Estaing is reported by French political sources to be preparing a major change in the electoral laws that will eliminate the present winner-take-all district voting for the National Assembly and bring in a proportional representation system that would strengthen the centrist parties. Those changes would not come into effect until the next assembly elections, which would normally be held five years after the balloting next year but could be called much sooner.

Whoever wins next year "will have to face up to the fact that the 20 years of prosperity we had until 1973 are over," said Socialist Michel Rocard. The next government "will have to digest an average-sized economic crisis, at the least, and try to survive in that crucial first year."

Unions, which have held back on wage demands in the last year in part to provide a calm period that would help the left in the elections, will be under no such constraint after the March voting. And bills the government is running up to boost its chances of re-election will be due soon after the balloting.

Mr. Giscard d'Estaing has chosen to run a budget deficit, something he solemnly promised not to do, just to keep the state machinery running this year. He has cut back sharply on government investment and decided to accept a meager 3 per cent growth rate for this year by deferring strongly inflationary measures until after the March elections. He has made no serious moves to resolve the rising level of unemployment, which is being pushed up by draconian efforts to hold down imports and thus keep the trade balance and the franc stable in the short run.

"It is better to win with an empty till than to lose with a half-full one," said one of Mr. Giscard d'Estaing's political admirers. "Either the Gaullists or the Socialists may be in a position to bring down the government that he forms out of the March returns, but you have to wonder if they will dare accept that responsibility and condemn France to a new round of ideological warfare."

James M. Thrusher—WP

Recent editions of the Beirut newspaper An-Nahar have white space where censors ordered material cut.

No Signs It Will End Soon

Censorship in Beirut: Arbitrary, Unpredictable

By Thomas W. Lippman

BEIRUT (WP).—The headline in the French-language newspaper L'Orient-Le Jour was certainly intriguing. "Four young people kidnapped and slain near Aley," it said.

Readers who wanted to know more were out of luck. The article that would have run beneath that headline was suppressed by the censor, and only white space appeared where the news would have been.

"Situation in the south at a standstill," said the leftist daily As Safir in its leading front-page headline. At the time, however, the government was making daily promises about the deployment of the army into southern Lebanon, so that article, too, was stricken, although the headline remained.

The English-language daily Ike gave a big play to an article headed "Hussein-PLO Polemic Resumes." The first half reported a statement by King Hussein of Jordan that Palestinians not associated with the Palestine Liberation Organization might represent the Palestinian people at a Geneva peace conference.

'PLO Hits Back'

The second part, under the heading "PLO Hits Back," presumably contained the PLO response, but there again the reader was left to wonder.

Censorship of the press has become a fact of life here in a capital that once had the most outspoken press in the Arab world. Readers have become accustomed to white spaces in Lebanese newspapers and gaping holes in the pages of foreign magazines and papers where offending items have been clipped out. Editors, intellectuals and even officials of the Ministry of Information complain about it, but the government shows no sign of lifting the censorship.

Censorship was imposed early this year, shortly after the Syrian-dominated Arab peacekeeping force moved into Beirut and ended the civil war.

The theory was that the press had contributed to the war by emphasizing the country's religious and political differences and by importing radical foreign ideologies, so some guidance was necessary. The censorship is administered not by the Ministry of Information but by the National Security Agency, reportedly directed by an officer installed by the Syrians.

Editors complain that, in practice, the censorship is arbitrary and unpredictable, and that some newspapers are allowed more freedom than others.

"It's completely absurd," said an editor at An Nahar, Lebanon's most respected Arabic paper. "It all depends on the mood of the censor, or on which team is on duty that day."

He cited the story of the four murders near the mountain town of Aley. Everyone in Beirut knew what had happened: Four young members of one of the Christian rightist militias ventured into territory dominated by the Druze sect and were murdered, apparently in retaliation for the deaths of two Druzes the week before.

That is the kind of story that inflames emotions here, and the censors killed it—except in the French-language paper Le Réveil (The Awakening), which is published and protected by the Christian party to which the four victims belonged.

Power Is Lacking

Journalists here say Le Réveil frequently gets away with defying the censors because the government lacks the power to interfere with the party's armed men. Le Réveil reported the incident, so the next day the other papers did, too.

Each newspaper is required to submit to the censor proofs of its pages after they have been made up, including photographs and advertisements. Anything disapproved by the censor must be taken out. Theoretically, it is a violation to leave the white space, since it informs readers that something is missing and lets people know what the censors are up to, but the rule requiring that substitute material be put in the holes is no longer enforced.

The censorship has been relaxed a bit since the early months after the war, when not only papers printed here but material sent abroad by foreign correspondents was scrutinized.

At that time, correspondents based here went to Egypt, where there is no censorship of outgoing copy, to file their stories—a remarkable turnabout from the Nasser era when Lebanon was wide open and the press in Egypt tightly controlled.

Censorship of outgoing files by foreign correspondents was dropped after less than a month because foreign press bureaus threatened to leave and Lebanese businessmen complained that such a move would discourage foreigners from returning to Beirut.

A side effect of the censorship is that some publishers have taken their journals abroad. Half a dozen newspapers and magazines that used to be published here are now being published in other cities, most of them in Paris and London.

They continue to be distributed here, but must pass the scrutiny of the censors like any other foreign publication.

'Effectiveness Unknown'

GAO Study Says Army Mishandles Poison Gas

By Norman Kempster

WASHINGTON.—The Army has been so lax in caring for its stockpile of poison gas armaments that no one really knows if the weapons would work in combat, the General Accounting Office has reported.

"Lack of maintenance could seriously compromise U.S. retaliatory capabilities," the GAO, a congressional watchdog agency, stated.

The GAO report urged the Army to conduct, as soon as possible, a special testing program to find out which gas shells and grenades are serviceable. Present inspection techniques are so defective that "the true condition of the stockpile is unknown," the GAO stated.

The report also called on the Army to improve its maintenance of weapons found to be useful.

A 1925 Geneva protocol—ratified by the United States 50 years later, in 1975—prohibits the first use of chemical and biological weapons. However, the agreement does not outlaw possession of such arms or their use to retaliate for a gas attack by an enemy.

The Pentagon contends that the Soviet Union has built up a huge stockpile of chemical weapons, possibly giving the Soviet Union a substantial advantage in any prospective non-nuclear confrontation.

In a statement submitted to the House Armed Services Committee in February, the Army said, "The Soviets are so immersed in chemical weaponry, tactics, doctrine, equipment and personnel, and so much of their training centers around the use of lethal agents that it would be odd, from a military standpoint, if they did not employ them [in a non-nuclear attack]. Their offensive chemical capability dwarfs ours to the point that they would be throwing away a possibly decisive advantage by not using chemical weapons. Our own offensive chemical weapon arsenal, while not puny, is at this point probably not a sufficient deterrent."

Despite the Pentagon's concern about Soviet chemical warfare preparations, the Army has been reducing its gas supplies since the Geneva protocol was ratified two years ago.

"The Army has prepared a long-range plan for eventually disposing of the entire existing stockpile of lethal chemical munitions and agents," the GAO stated. "The Army has spent over $19 million to demilitarize and dispose of some munitions and agents, and if the remaining stockpile is disposed of, it may spend $640 million to $870 million more.

"The Army should determine its overall needs before demilitarizing and disposing of additional usable stocks . . . the Army may be premature in basing its long-range plans on the premise that the entire chemical stockpile will be disposed of."

The GAO urged the Army to stop disposing of usable gas weapons "until stockpile requirements have been defined."

The Pentagon hopes to replace existing chemical weapons—which contain lethal gas that can kill if it accidentally seeps out of its container—with more sophisticated "binary" arms that consist of two chemicals that are relatively harmless if kept separate but form a deadly gas when mixed. However, this program has not been approved by Congress.

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Concepts Questioned

Current NATO Crisis Complex, Deep-Roote[d]

By Drew Middleton

NEW YORK (NYT).—"They ought to call this outfit the North Atlantic Crisis Organization, not the North Atlantic Treaty Organization," remarked a disgruntled staff officer recently in Washington.

He was alluding to several serious problems besetting the Atlantic alliance—high-level concern over its present and future strength in relation to Soviet forces, criticism of the U.S. concept of NATO, and the serious differences among members over how the West's military strength be deployed in the event of war.

The alliance has surmounted many other crises in its 28-year history; but the consensus in Washington and West European capitals is that the current one is so complex, its roots so deep, that a major effort will be required to get NATO back on track.

Gen. George Brown, chairman of the Joint Chiefs of Staff, gave a pessimistic overall view of the alliance in a recent speech. NATO, he said, can no longer rely on nuclear predominance and superior quality of its conventional forces to counterbalance "the massive Soviet conventional forces in Europe."

Deficiencies Persist

Even if modest increases in the members' defense budgets are attained, he said, there are still "acknowledged deficiencies" within the alliance.

Sen. Gary Hart, D-Colo., has also stirred concern by reopening discussion of an issue that has lain dormant for more than a quarter of a century. Is the American goal, he asks, to have Europe responsible for its own defense, or does it intend to be permanently involved in European military affairs?

The question recalls NATO's infancy, when Dwight Eisenhower, the first Supreme Allied Commander, estimated in 1950 that Europe would be able to defend itself in "three or four years" and "our people can go home."

The Carter administration, at the NATO conference in May, introduced some initiatives for strengthening the alliance, which involve integration of the air defense, communications, logistics and research and development programs. But Sen. Hart argues that if these measures are taken, "it may be very difficult to disentangle" American and European defense without damaging both, and "restricting future options" as well.

Permanent integration of the West's defense may be desirable, the senator conceded, but this would constitute a reversal of the United States's original goals of a Europe strong enough to protect itself.

"If such a policy change is to be made," he said, "it should be made openly, rather than as an aftereffect of programs presented as mere military improvements."

Clue to Disputes

Such discussions of NATO's military goals and of the American concept of the alliance give a clue to some bitter disputes in the U.S. military establishment over the manner in which the alliance now uses its present resources.

Gen. John Vogt, a retired NATO air commander in Central Europe, wrote recently, for example, that the alliance's front-line units, which would take the shock of any Soviet attack, are "badly deployed for a true forward defense of NATO territory." He also asserted that the headquarters organization would require "weeks of warning and preparation" before it could function effectively in war.

Writing in a policy paper [for] the Atlantic Council, Gen. V[ogt] said deficiencies of this kind w[ere] "not widely known or recogni[zed] outside the military command."

Steven Canby, a U.S. Air Fo[rce] reserve officer, charged in a [re]cent paper that the United Sta[tes] was bringing the wrong tact[ical] approach to the defense agai[nst] a Soviet attack.

In its planning, he charged, [the] Air Force was still predicating air defenses on slow-paced [in]fantry operations using [lit]tle firepower, such as those in V[iet]nam. In so doing, he conten[ded,] it was ignoring the fact [that] European terrain and condit[ions] lend themselves more readil[y to] fast armor and maneuver op[era]tions.

The British Air Force, Canby noted, objects to [the] American approach, which [the] British think implies that [air] forces should look down upon [the] battle rather than coordina[ting] operations with those of ground forces.

Moreover, he said, the RAF [and] to a certain extent the [West] German Air Force question [the] heavy U.S. reliance on tech[nol]ogy, "finding it overly co[mplex,] operationally uncertain [and] unnecessarily restrictive." [The] result, he contended, is infl[exi]bility rather than the des[ired] flexibility.

Mr. Canby, like Gen. Vogt [and] a number of students of Europ[ean] military strategy, also is cri[tical] of NATO's deployment of [its] forces. He particularly object[s to] the stationing of an Amer[ican] brigade with the Northern A[rmy] Group in Germany. The brig[ade's] presence there, he asserts, refl[ects] the false premise that Amer[ican] reinforcements are "crucial to [the] defense of Europe."

"They are not, and even if [the] United States were contiguou[s to] Europe, the U.S. could not pro[vide] sufficient reinforcements." [As] Sen. Hart, he believes that [more] of the burden of defense sh[ould] fall to the European member[s of] the alliance and that co[nse]quently "NATO needs solution[s to] provide divisions on the che[ap]."

Those involved in def[ense] strategy agree that the cur[rent] disputes have assumed added [im]portance because of what [Gen.] Brown called the "sharply [up]ward" trend in Soviet mili[tary] capability. On Oct. 10 the ch[air]man of the Joint Chiefs c[om]mented that "there is a reco[gni]tion that we do not have su[ffi]cient conventional forces to [halt] a Warsaw Pact penetration [of] Europe with nonnuclear for[ces]."

One reason for this assess[ment] is the steady buildup of So[viet] forces in Central Europe. [The] strength of each of its mecha[niz]ed rifle divisions for example [has] been increased from 10.500 [to] 13,500 men and that of arm[ored] divisions from 9,000 to 11,000.

There is also evidence [that] Moscow's East European allie[s are] spending more on defense. [A] study presented recently to [the] congressional Joint Econ[omic] Committee showed that mor[e of] the gross national product [of] each country in the region [is] going for defense-related ite[ms].

U.K. Using Comput[er] To Find Fingerprin[ts]

LONDON, Oct. 30 (Reuters).—British police have begun u[sing] a new computer system to [iden]tify criminals from fingerpr[ints] within hours of a crime.

The British force is the [first] in Europe to introduce the [] developed computerized pro[cess] which can bring up on televi[sion] screens the fingerprints of kn[own] criminals to be matched [with] those found at the scene o[f a] crime.

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...uromarket

Near-Term Outlook Is Poor For Eurodollar Bond Market

By William Ellington

...DON, Oct. 30 (AP-DJ).—...llar bond prices stabilized ...eek as underwriters con- ...o postpone new public is- ...d the recent rise in short- ...Eurodollar interest rates ...d signs of leveling out.

...theless, conversations with ...y underwriters and dealers ...ed a rather gloomy view of ...r-term outlook for the Eu- ...r bond market.

...s a heads I win, tails you ...proposition," one American ...r commented. "If U.S. in- ...rates are allowed to fall, the dollar will get weaker, ...if interest rates are forced ...n bond prices will fall. And ...ve actually been seeing in- ...rates move up and the dol- ...own at the same time, so ...e wonder everybody is run- ...scared."

...xembourg banker said that, ...opinion, the acceptable in- ...rate for a 10-year bond ...minated in a stable currency ...ut 7 per cent. But he said investors should insist on a ...uation premium" of about ...rcentage points for holding ...ar Eurodollar bonds for a yield of 9 per cent.

...this reckoning, Eurodollar ...prices would have to fall ...25 points or more before ...are brought up to the 9- ...ent level."

...example, a recent $50-mil- ...10-year issue of the Euro- ...Investment Bank bearing ...per cent was quoted Friday ...bid to yield 8.56 per cent at ...rity.

...milarly, a $40-million, 10- ...issue of Götawerken AB with ...edish government guarantee ...quoted at 97 bearing 8.125 per cent to yield 8.58 per cent. A British government-guaranteed, 10-year issue of the National Coal Board, totaling $100 million, was quoted at 96.25 bearing 8 per cent to yield 8.57 per cent.

In these examples, a downward adjustment of between 2.5 and 2.75 points would be needed to raise the yields to 9 per cent.

The Luxembourg banker also argues that deutsche mark issues should have a "revaluation premium" of about 2 percentage points so that a level of 5-per cent should become acceptable for 10-year paper. If so, Euromark bond prices will have to rise further, even though the market for these securities is currently showing signs of resisting the latest bout of coupon cutting to the 6-per-cent level.

Indeed, a German banker said that in his opinion yields of 10-year deutsche mark bonds will not get below 5.5 per cent in the current cycle.

And at the moment, domestic deutsche mark bonds are yielding slightly more than Euromark bonds, bankers say. Thus, foreign demand has had to absorb most of the 1.6 billion marks (about $700 million) of the international issues scheduled so far this month.

Reflecting heavy foreign demand for deutsche mark paper, a 12-year issue of Norpipe A/S was increased in size by 50 million marks to 300 million after the coupon rate had been lowered a quarter point to 6 per cent. The issue was priced at 99.5 to yield 6.06. The offering was considered of prime quality since several major oil companies, including Phillips Petroleum, are the owners of the North Sea oil pipeline.

Other deutsche mark issues scheduled include a 50-million-mark, 12-year issue of the Norwegian Mortgage Association for Trade and Industry. Because of strong demand, the syndicate manager cut the coupon rate a quarter point to 6 per cent.

In addition, a syndicate scheduled a 100-million-mark, 10-year issue of the Resettlement Fund of the European Council, an intergovernmental agency, with a 6.25 per cent coupon rate.

A 50-million-mark, six-year convertible issue of Tokyo Sanyo Electric Co. bearing 5 per cent semi-annually was described as "very hot." The issue is convertible into the Tokyo-listed shares after Feb. 2, 1978.

While many governments or agencies have been willing to float deutsche mark issues, there have been relatively few corporate borrowers because of the exchange-rate risk. Japanese corporations are an exception since there is not much risk of the deutsche mark appreciating substantially against the yen.

Moreover, quite a few corporations have prepaid their deutsche mark debt to avoid the currency risk. The latest example is R.J. Reynolds Industries Inc., which has prepaid $160 million worth of deutsche mark bank debt and which is now refunding with a $150-million private placement of five-year notes at par bearing 7.5 per cent.

The terms of the R.J. Reynolds Eurodollar notes would seem to

(Continued on Page 13, Col. 1.)

U.S. Commodities

CHICAGO, Oct. 30 (AP).—Strong commercial demand and persistent rumors of grain sales to the Soviet Union highlighted a week in which soybean futures prices surged more than 20 cents and grains were firm on the Chicago Board of Trade.

The strength was considered atypical of harvest time, when large influxes of the actual commodities often result in depressed futures prices.

Most of the soybean advance, however, was attributed to continued reluctance of farmers to sell their crops at current low prices.

And large commercial purchases of wheat and corn deliveries boosted levels in those pits 8 and 5 cents a bushel, respectively. Oats edged about a cent higher.

The pork complex scored moderate gains on the Chicago Mercantile Exchange, but increased slaughterings and an easier carcass beef market whittled live cattle futures 5 to 80 cents.

A few days of rain caused a slowdown of corn and soybean harvesting, and country movement of both commodities was light until Thursday. As a result, hedging by commercial firms was insignificant until late in the week. Soybean meal, following the swing in beans, gained more than $7 a ton but oil advanced only modestly.

At the close of the week, soybeans rose 20 1/4 to 24 cents a bushel over the previous week, with the November contract at 5.33; wheat advanced 2.1 to 9 1/4, December 2.58 1/2; corn rose 1 3/4 to 6, December 2.10 3/4; oats gained 1/4 to 2, December 1.24; soybean oil was up 28 to 38 points, December 17.92; soybean meal advanced 6.40 to 7.60, December 147.90; and iced broilers dipped 26 to 65 points, November 35.50.

The World Economic Scene

Securities Gain Toehold in Global Markets

By Thomas E. Mullaney

NEW YORK, Oct. 30 (NYT).—Slowly but apparently surely, progress is being made in the effort to internationalize capital flows through the investment markets. Unlike banking, commerce or trade, where the world has been one big and largely accessible arena for some time, the securities business is only starting to break ground in a substantial way in the freedom to cross national borders. Of course, it still has a long way to go before it can be said to rank with those other facets of global economic intercourse.

In the last two years, however, some significant advances have been made to afford greater access of investors in one country to the stock markets of others. The force has been the International Federation of Stock Exchanges, which finally seems to be evolving, behind the scenes, into an activist and effective force for change from the largely social purposes of its origin 25 years ago.

William Freund, a senior vice-president of the New York Stock Exchange, who was one of the two U.S. delegates to this year's meeting of the federation of 29 exchanges in Zurich earlier this month, said that he was "encouraged greatly" by several actions taken at the meeting and by the constructive attitude toward securities problems of the United States and other nations.

The other U.S. delegate was Paul Kolton, chairman of the American Stock Exchange, who is giving up that post later this year. "We did move ahead this year on international securities problems," he said.

The mood of the delegates might have been helped by the fact that most of the world's leading stock markets this year have been faring rather well, despite slow economic growth and capital investment everywhere. The United States, with its decline of some 20 per cent in the Dow Jones industrial average so far this year, is a notable exception. Uncertainties over monetary policy, interest rates, energy and taxes, as well as the decline in the value of the dollar, have been major depressants in the U.S. market. But those factors have not been transmitted abroad to any great degree.

In London, for instance, stock prices between Jan. 1 and Oct. 24 were up 50.2 per cent in the averages; in Zurich, the gain has been 9.1 per cent, and in Frankfurt, it has been 8.4 per cent. On the downside have been the Tokyo market, where the loss was only a little more than 1 per cent, and the Paris Bourse, where the decline has been about 11 per cent.

There were two major accomplishments at this month's meeting of the exchanges in Zurich—the formal adoption of minimum uniform listing standards for both stocks and bonds in all countries and the agreement to publish comparable statistical material on trading everywhere. The recent experience in Tokyo, where two of the 14 U.S. companies whose stocks have been listed are withdrawing over duplicative auditing procedures, illustrates the need for a universal set of listing standards.

Unresolved Issues

Still on the agenda, after further study by working committees of the international federation, are such issues as more frequent publication of financial data by companies listed on exchanges outside the United States; an effort to stop the "fragmentation" of securities trading off the exchanges in some countries, and an agreement on rules to encourage access to foreign brokers in the various countries. The New York Stock Exchange has been ad-

(Continued on Page 13, col. 1.)

New York Stock Market

NEW YORK, Oct. 30 (NYT).—The battered stock market, buoyed by the belief that interest rates have peaked and that share prices were poised for a technical rebound, posted a moderate advance last week in accelerated trading.

After sinking to a two-year closing low of 802.32 on Monday, the Dow Jones industrial average began climbing back and closed Friday at 822.68, up 14.38 points for the week.

So far this year the key barometer has lost about 200 points, as jitters over rising short-term interest rates have discouraged investors who already had doubts about the strength of the economic recovery. Higher rates have resulted largely from the Federal Reserve's decision to tighten its monetary policy in response to an unexpectedly strong expansion of the nation's money supply.

However, the stock market last week started to revive when Arthur Burns, chairman of the Fed, said the central bank would not go overboard in pursuing its stricter policies. Analysts noted that the Fed's move Tuesday to raise the discount rate—the interest it charges on loans to its member commercial banks—by only a quarter of a percentage point to 6 per cent could have been in anticipation of a slightly less stringent monetary stance. Some had expected twice as large an increase in the rate.

On Wednesday the Dow soared 11.87 points, its best one-day gain in six months. Some of the advance was attributed to a statement by the Wells Fargo Bank, a major West Coast institution, that it saw no justification at present for raising its prime rate, the interest banks charge on loans to their most creditworthy corporate customers. This meant that the bank was holding to its 7 1/2 per cent rate, rather than going along with recent increases at most other major banks to 7 3/4 per cent, the highest prime rate in nearly two years.

More good news occurred after the close Thursday when the Fed announced that the nation's basic money supply had dropped $1.1 billion in the latest statement week. This indicated to Wall Street that the Fed, at least for the immediate future, would not allow short-term interest rates to rise further. These encouraging factors helped swell turnover on the New York Stock Exchange during the week to 108.63 million shares from 100.25 million shares the week before.

Over-Counter Market

...W YORK (AP) — Weekly Over the ... stocks giving the high, low ...id prices for the week with the ...ange from the previous week's last ...rice. All quotations supplied by the ...nal Association of Securities Dealers ...are not actual transactions but are ...native interdealer prices at which ...securities could have been sold. ...do not include retail markup, ...down or commission. ...supplied by NASD.

		Sales in 100s	High	Low	Last	Net Ch'ge
[illegible]		95	4	3⅞	3¾— ⅛	
[illegible]		2h	10	9½	9½— ½	
[illegible]	.20l	80	4	4	4	
[illegible]	.40	30	5¼	5⅛	5⅛— ⅛	
[illegible]		35	1⅝	1⅜	1⅜	
[illegible]	.90	55	18	17½	17⅝— ⅞	

		Sales in 100s	High	Low	Last	Net Ch'ge
Accelr In		75	1¾	1⅝	1¾	
AcetoCh		13	12½	12¾	12½	
ACMAT		52	1⅝	1⅝	1⅝	
AcmeEl	.28b	83	11¼	11	11⅛	— ⅛
AcmeGen	.40	2	7½	7½	7½	
AdaRes	.03e	116	5⅝	4⅞	5	— ⅜
AddisnW	.40	85	7¼	6½	7⅛	+ ⅜
AdvRoss		25	2⅜	2½	2½	— ¼
AdvMicr		2053	21½	17¾	18	—3½
Advent		119	6⅛	5⅞	6	— ⅛
Aeroson	.03e	178	3⅞	3¼	3⅝	+ ⅛
AffBksh	.96	41	17½	17¼	17¼	
AgMet		50	6⅝	6⅛	6⅛	— ⅝
Agnico		434	5 11-16	5⅜	5⅜	— ¼
AirFla		80	3	2⅞	3	+ ⅛
AlaBncp	1.44	94	25¼	25	25	— ¼
AlaTnNG	n.40a	36	19	17⅞	19	+1⅛
Alanthus	.19e	67	4½	4⅜	4½	
Alaskint	.24	97	7½	7½	7½	

		Sales in 100s	High	Low	Last	Net Ch'ge
Alberts	.20	5	11	11	11	
AlexAlex	1.40	1594	47½	45½	46	—1½
AlexBld	1.20	276	15⅝	15⅜	15⅝	+ ⅛
Allcolnc	.20e	26	12¾	12½	12½	— ⅛
AllegBev	.20	404	6⅛ 5	11-16 5	15-16	+⅛
AllenOrg	.40r	18	13	13	13	
AlldBcsh	1	81	29¾	29⅝	29¾	
AlldTel	.68	151	14⅝	14⅛	14⅝	+ ½
AlldVanL		73	4⅝	4	4⅝	+ ½
AllynB	.45	32	8	7⅞	8	+ ⅛
AltexOil		2230	⅞	13-16	13-16	
AltonBx	1	x38	12⅞	12	12	— ⅜
Amarex		466	15⅛	14½	15	— ⅛
AmbsdGp	.10	58	4⅝	4⅛	4⅛	
AmcoEnr		284	2⅜	2⅛	2⅛	
Amdahl	.20	2056	39¾	37¼	38¼	—1½
AApprals	.20e	133	6⅛	5⅞	5⅞	— ½
ABkTPa	1b	29	19¾	19½	19¾	+ ⅛
ABkrFla	.24	517	4¼	4⅛	4⅛	— ⅛

		Sales in 100s	High	Low	Last	Net Ch'ge
ABkLfFl	.20	350	6⅛	5⅝	6⅛	+ ⅜
ABiomed		76	3⅝	3⅛	3⅛	— ⅛
ABldgs	.48b	22	17⅛	17	17	
AClipper	.84	119	7½	7	7	— ½
AFidLf	.08	47	8	7⅝	7⅝	— ⅜
AFilltron	.72	47	10¼	10	10	— ⅛
AFinCp	.04	136	11⅞	11½	11½	— ⅜
AFletchr	1.16	x96	17	16¾	16¾	— ⅛
AGreet	.24	1247	12⅛	11⅝	12	— ⅛
AGrtyFn	s	35	4⅞	4⅝	4⅞	
AHomShd		448	7⅛	6½	7⅛	— ⅛
AIncmLf		116	14½	14¼	14½	
AIndmF	.78	x174	14¼	14	14¼	
AIntGp	.28	672	33¾	33	33¼	

		Sales in 100s	High	Low	Last	Net Ch'ge
AIntRel	.16	593	24¼	23¼	24	
AMicrog		688	13½	12½	13	— ⅛
ANatFn	.46	38	10½	10⅛	10½	
AmNucl		636	8½	8	8⅛	+ ⅛
AQuasar		926	29	27⅞	28⅛	+ ½
AmRein	.60	205	27⅝	20⅞	21⅛	+ ½
AmResv	.02j	399	3⅝	3⅛	3⅛	— ⅛
ASL Fla	.08a	57	35¼	34½	35⅛	+ ⅜
ASecCp	2.80	32	45¼	43¾	44	—1¼
AStdLf	.44	36	15⅝	15½	15½	— ⅛
ATelecm		419	11⅛	10⅛	10⅛	— ⅞
ATvCom	.15e	185	29¾	29¼	29½	— ¼
AUndrw	.44	35	7½	7¼	7¼	— ⅛
AWeldng	.80	30	10½	10¼	10¼	— ⅛

		Sales in 100s	High	Low	Last	Net Ch'ge
Amicor		977	3	2½	3	+ ⅜
Amoskg	2	4	37½	37½	37½	
Anacmp	.05r	55	8¾	8½	8⅝	— ⅛
Anadite	.10	6	4⅞	4¼	4¾	
Analog	s	169	15¼	14½	14⅞	— ½
Analsic		90	10¼	9	10	— ⅛
AndrJcb		101	3⅜	3⅜	3⅜	
AnglSA	.38e	3428	3⅝	3 7-16	3½	—3-16
AngAGld	1.63e	1632	21⅛	17⅞	17⅞	—1⅝
ArcheusB	.80	2676	23⅝	22⅝	22⅝	— ¼
ArizCp	.28	383	8¼	7⅝	7⅜	— ⅛
Appliom	.20e	14	4¼	4	4	— ¼
AplidMil		49	4¾	4¼	4¼	
Archon		142	22½	22⅛	22½	+ ⅛
ArdMary		34	1⅛	1⅛	1⅛	
ArgoPet	.10r	520	13⅞	13¼	13⅞	+ ½
ArgonitE		41	7½	6⅝	7	— ½
ArtznBk	.60b	x62	15½	13½	13½	
ArkWGs	1.24	150	34	34	34	

		Sales in 100s	High	Low	Last	Net Ch'ge
ArpejaC		54	11¾	10½	11	— ¾
AsprSki	.10j	13	16	15	16	+1
AsdCola	.60a	249	20¾	19⅛	19¼	—1½
AssdHst	.20	189	8⅛	7⅝	7⅝	— ⅜
AsdMad	.05e	199	3⅝	3⅛	3⅛	— ⅜
AtlGasLt	1.28	83	15¼	15	15	— ¼
AtlNtlRE		28	3½	3⅜	3⅜	
AtlntAm	.15e	153	5	4⅝	4⅝	— ¼
AtlntBcp	.72	121	12½	11⅜	12	— ½
AtlPepsl	.60	184	27	25½	26	—1
AtlanStl	.17j	28	9⅜	9⅜	9⅜	
AtwdDcn		159	8	7⅝	8	
AutMdLb		85	5⅜	5	5¼	
Autotrol	.06h	54	16	16	16	
AztecMf	.24	65	14	13½	13⅝	— ⅜
BBDO	2	139	25¾	24½	25⅜	+1
BX Devl		152	2 11-16	2 7-16	2 11-16	+ ¼
BairdW	.55e	93	6	5½	5⅞	— ½
BairdAt	s	51	3⅝	3⅝	3⅝	

		Sales in 100s	High	Low	Last	Net Ch'ge
BakerBr	.20	88	4½	4⅛	4¼	— ⅛
BakerFe	1.20	90	36¼	34¾	36¼	+1
BaldwLy	.40	527	16⅝	15¾	16⅝	+1
Baltek		62	5½	5¼	5½	+ ¼
BncPonc	1.20b	20	16	15½	16½	— ½
BancPop	1.20a	x13	17½	17¼	17½	
Bncohio	1.30	252	18¾	18½	18¾	+ ¼
Bncokla	1	8	16½	16¼	16¼	— ⅛
BcpMont	1.24	16	16¾	16½	16½	— ⅛
BncshNJ	2.20	66	23½	23⅛	23½	
BangHE	1.40	39	15⅝	15⅜	15⅜	— ⅛
BkBldE	.87	25	11⅛	10⅞	10⅞	— ½
BkCDet		7	2	2	2	
BkDelw	2.20	24	25	25	25	
BkamRt	.51e	228	10⅞	10⅝	10¾	— ⅛
BkSecLf	.44	121	11⅛	10¼	10⅜	— ½
BkrTrSC	1.20	111	17¼	16¾	17	+ ¼

(Continued on Page 10, Col. 1)

(Continued from Page 9)

Over-Counter Market

New York Stock Exchange Weekly Bond Sales

Bonds	Last Price
[illegible]	[illegible]

Foreign Bonds

Bonds	Last Price
[illegible]	[illegible]

Stock Quotations

(Closing prices of the week's trading.)

[illegible]	[illegible]	[illegible]

Consolidated Trading Of AMEX Listings

Week Ended Oct. 28, 1977

	Sales	High	Low	Last	Chge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NYSE Averages

Week Ended Oct. 28, 1977

	High	Low	Last	Net Change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills

	Bid	Ask	Yld.
[illegible]	[illegible]	[illegible]	[illegible]

American Exchange Options

Option & price		Vol. — Nov —	Last	Vol. — Feb —	Last	Vol — May —	Last	Close N.Y.
A M F	15	173	1 13-16	19	1 3-16	4	2⅞	16¾
A M F	20	a	a	4	3-16	50	5-16	16¾
A S A	15	27	6	[illegible]	5⅞	a	a	20⅞
A S A	20	244	1 1-16	194	2 1-16	207	2⅞	20⅞
A S A p	20	72	⅛	118	1⅛	13	1 9-16	20⅞
A S A	25	595	1-16	255	⅜	212	1⅛	20⅞
A S A p	25	b	b	108	4	108	4½	20⅞
Avnet	15	5	1 9-16	10	1⅞	15	2	16⅝
Avnet	20	2	1-16	37	3-16	20	¼	16⅝
Bally	15	b	b	86	2⅛	94	3¼	16⅝
Bally	20	45	⅛	125	11-16	33	1 3-16	16⅝
Bally	25	4	1-16	a	a	10	⅜	16⅝
Caterp	50	125	1⅞	236	3¼	a	a	51½
Caterp	55	83	1-16	15	¾	a	a	51½
Caterp	60	a	a	2	1-16	b	b	51½
Con Ed	20	5	3⅝	105	3⅝	a	a	23⅝
Con Ed	25	a	a	232	⅜	102	⅝	23⅝
Dr Pep	10	161	5	10	5⅛	4	5⅞	14¾
Dr Pep	15	1269	⅛	906	1 7-16	370	1⅛	14¾
El Pas	15	156	1½	11	1¾	190	1 13-16	16½
El Pas	20	15	1-16	97	¼	31	7-16	16½
Fleetw	10	145	13-16	134	1⅛	202	1⅜	10¾
Fleetw	15	3	1-16	a	a	110	⅛	10¾
Grace	25	[illegible]	[illegible]	4	2½	a	a	27
Grace	30	a	a	29	¼	14	½	27
La Pac	10	160	2⅞	[illegible]	3¼	13	3⅜	13¼
La Pac	14⅝	21	1-16	57	½	b	b	13¼
La Pac	15	15	1-16	25	⅜	55	⅝	13¼
La Pac	19⅝	a	a	[illegible]	1-16	b	b	13¼
MGIC	15	32	1-16	44	9-16	31	⅞	13
N Dist	25	50	1-16	78	⅜	12	⅝	22⅝
N Semi	15	10	4¼	9	4⅝	b	b	19¼
N Semi	20	119	7-16	24	1 7-16	15	2⅛	19¼
N Semi	25	a	a	a	a	122	⅜	19¼
Nort S	15	2	4⅛	a	a	8	4½	19⅝
Nort S	20	99	3-16	42	¾	9	1⅛	19⅝
Penney	35	72	⅛	37	1¼	4	1 15-16	34¼
Penney	40	a	a	a	a	20	½	34¼
PhilPt	25	103	3¼	b	b	b	b	29¼
PhilPt	27½	58	1⅝	10	2¼	b	b	29¼
PhilPt	30	55	3-16	61	15-16	55	1½	29¼
PhilPt	35	7	1-16	a	a	10	⅜	29¼
Res OG	15	281	⅛	178	9-16	186	15-16	12¾
Res OG p	15	96	2⅛	82	2½	45	2¾	12¾
Res OG	20	55	1-16	34	3-16	10	⅜	12¾
Res OG p	20	21	7	16	7	10	7⅛	12¾
Res OG	25	a	a	7	⅛	b	b	12¾
Searle	10	87	1⅝	9	1¾	261	15-16	11¼
Serle	15	9	1-16	91	⅛	10	¼	11¼
SimPt	10	12	1⅝	25	1 11-16	48	2	11
SimPat	15	33	1-16	48	¼	54	⅜	11
Sterlg	15	13	⅛	46	⅛	36	⅝	14⅛
Tennco	30	32	⅛	32	1	28	1⅜	29⅝
Tennco	35	2	1-16	1	3-16	95	5-16	29⅝
Tiger	10	209	1¼	22	1¾	10	2⅛	11⅛
Tiger	15	a	a	7	3-16	40	5-16	11⅛
Zenith	15	84	⅛	71	¾	38	1 3-16	13⅞
Zenith	20	2	1-16	a	a	1	3-16	13⅞
Zenith	25	3	1-16	10	1-16	a	a	13⅞

Option & price		Vol — Dec —	Last	Vol — Mar —	Last	Vol — Jun —	Last	Close
Coastal	15	25	3	111	3½	38	3⅝	17⅞
Coastal	20	144	½	103	1 3-16	79	1⅜	17⅞
Coastal	25	44	⅛	77	⅜	10	11-16	17⅞

Option & price		Vol — Jan —	Last	Vol — Apr —	Last	Vol — Jul —	Last	Close
Aetna	30	103	4⅛	4	4½	41	5	33⅞
Aetna p	30	87	⅛	31	13-16	a	a	33⅞
Aetna	35	1012	1 3-16	157	1⅞	79	2¼	33⅞
Aetna p	35	254	2 1-16	24	2⅜	21	3	33⅞
Aetna	40	59	3-16	78	9-16	b	b	33⅞
Aetna p	40	15	6⅝	10	6⅞	b	b	33⅞
Am Cya	25	46	⅝	132	1	27	1 5-16	23⅞
Am Cya	30	4	1-16	3	⅛	2	3-16	23⅞
Am Exp	35	5	2½	a	[illegible]	a	a	36⅞
AmExp	40	a	a	a	a	24	1⅛	36⅞
Am Hom	25	5	3	a	a	a	a	27⅝
Am Hom	30	6	¼	26	9-16	18	⅜	27⅝
Asarco	15	156	5-16	82	½	149	13-16	13½
Asarco	20	148	1-16	18	3-16	a	a	13½
Beat F	25	13	9-16	130	13-16	5	1 3-16	24⅝
Burrgh	50	53	16	b	b	b	b	66⅛
Burrgh	60	149	7½	47	8½	14	10¼	66⅛
Burrgh	70	235	1¾	51	2 15-16	37	4⅛	66⅛
Chase	25	20	3½	a	a	10	4	27⅝
Chase	30	42	7-16	18	⅜	16	1⅛	27⅝
Chase	35	16	1-16	a	a	b	b	27⅝
C Tel	15	a	a	a	a	10	1¼	15¾
Deere	25	33	⅛	21	1 9-16	38	1⅝	25
Deere	30	2	⅛	18	3-16	b	b	25
Dig Eq	35	119	10⅞	b	b	b	b	45¾
Dig Eq	40	495	6⅛	166	7⅛	318	8½	45¾
Dig Eq	45	529	2⅜	282	4⅛	36	5	45¾
Dig Eq	50	338	⅞	131	1⅝	29	2 13-16	45¾
Disney	30	242	6⅞	130	7¼	a	a	36⅝
Disney	35	227	2⅞	75	3⅜	27	4½	36⅝
Disney	40	332	11-16	96	1 5-16	37	2	36⅝
du Pnt	100	108	13⅛	12	14⅝	a	a	113½
du Pnt	110	600	5¼	87	7¼	16	8½	113½
du Pnt	120	398	1 3-16	48	2⅝	44	3⅝	113½
du Pnt	130	4	⅛	b	e	b	b	113½
Fst Ch	15	a	a	17	2½	3	2 7-16	16½
Fst Ch	20	30	3-16	40	5-16	20	7-16	16½
G Tel	30	62	⅞	42	1¼	11	1 7-16	30¼
GTel	35	a	a	45	⅛	13	3-16	30¼
Gillet	25	36	1	a	a	b	b	25⅛
Gillet	30	5	1-16	10	⅛	2	5-16	25⅛
Gillet	25	b	b	b	b	31	1⅝	25⅛
Goodyr	15	3	2¾	5	3	21	3⅛	18
Goodyr	20	52	⅛	37	⅜	29	½	18
Goodyr	25	23	1-16	a	a	b	b	18
Greyhd	10	1	2⅝	a	a	a	a	12⅝
Greyhd	15	14	1-16	15	⅛	39	3-16	12⅝
Gulf O	25	20	2 9-16		a	a	a	27¾
Gulf O	30	83	⅛	45	3-16	42	7-16	27¾
Hercul	15	13	1 3-16	12	1½	5	1⅞	15¾
Hercul	20	10	⅛	7	¼	20	7-16	15¾
H F C	15	26	4⅛	a	a	4	4	18¾
H F C	20	147	3-16	38	5-16	26	½	18¾

Option & price		Vol — Jan —	Last	Vol — Apr —	Last	Vol — Jul —	Last	Close
Lilly	30	15	6	a	a	a	a	35½
Lilly	35	114	1⅝	34	2⅛	12	11-16	35½
Lilly	40	157	5-16	171	⅜	b	b	35½
Merril	15	66	1⅛	102	1⅛	178	1 15-16	15¼
Merril	20	75	⅛	174	⅛	53	⅛	15¼
MesaPt	30	[illegible]	9⅝	b	b	b	b	38⅝
MesaPt	35	125	5¼	22	6⅛	11	7½	38⅝
MesaPt p	35	406	1	73	1½	58	1¾	38⅝
MesaPt	40	516	2 1-16	110	3⅛	91	4⅛	38⅝
MesaPt p	40	297	2 13-16	36	3½	3	3⅝	38⅝
MesaPt	45	387	¼	181	1 9-16	68	2 1-16	38⅝
MesaPt p	45	299	6⅝	223	6½	12	6¾	38⅝
Motrla	35	46	[illegible]	a	a	40	4¾	37½
Motrla	40	117	⅜	43	1⅛	11	2 11-16	37½
Motrla	45	9	3-16	[illegible]	½	b	b	37½
Motrla	50	14	1-16	b	b	b	b	37½
Pfizer	25	33	1⅛	10	1 9-16	131	13-16	25
Pfizer	30	a	a	1	3-16	a	a	25
Phelps	20	58	1	93	1 5-16	14	2⅛	20¾
Phelps	25	136	⅛	67	7-16	4	⅛	20¾
Phelps	30	a	a	28	1-16	b	b	20¾
Ph Mor	50	26	10½	a	a	a	a	60⅝
Ph Mor	60	301	2⅛	15	3⅜	1	4⅝	60⅝
Pitney	15	7	1¼	14	1⅝	6	1 15-16	16½
Pitney	20	8	1-16	5	5-16	31	3-16	16½
Proc G	70	40	13½	b	b	b	b	83½
Proc G	80	23	4½	12	5½	4	6½	83½
Proc G	90	b	5-16	62	[illegible]	46	1⅜	83½
RiteA	15	a	a	22	15-16	4	3¼	17¼
Rite A	20	[illegible]	a	7	9-16	5	13-16	17¼
StCal	40	42	13-16	35	1¼	81	11-16	39
T R W	30	a	a	a	a	10	3⅞	33⅞
T R W	35	61	½	80	15-16	10	1 3-16	33⅞
T R W	40	a	a	3	¼	b	b	33⅞
Tandy	20	29	8⅞	10	9½	b	b	28⅝
Tandy	25	99	4⅛	3	5⅛	2	6⅛	28⅝
Tandy	30	181	1 5-16	64	2⅜	17	3	28⅝
Tandy	35	74	¼	b	b	b	b	28⅝
Texaco	25	91	2⅝	12	2⅞	9	3	27⅞
Texaco	30	617	⅛	156	5-16	200	7-16	27⅞
Texaco	35	51	1-16	a	a	b	b	27⅞
U Carb	40	190	3½	34	4¼	16	4⅞	43½
U Carb	45	184	¾	304	1½	30	2⅛	43½
U Carb	50	22	3-16	24	⅜	b	b	43½
U S St	25	12	5½	6	5½	a	a	30¾
U S St	30	992	1 7-16	268	2 1-16	17	2⅜	30¾
U S St	35	46	3-16	48	9-16	60	⅞	30¾
U S St	40	1	1-16	a	a	b	b	30¾
U S St	45	2	1-16	b	b	b	b	30¾
Wrn Lm	25	24	1½	29	2⅛	2	2 9-16	26
WrnLm	30	11	⅛	11	5-16	1	⅜	26
Westng	15	149	2¾	39	3	43	3⅛	17¾
Westng p	15	98	¼	54	½	34	11-16	17¾
Westng	20	404	¼	190	½	128	11-16	17¾
Westng p	20	36	2⅜	13	15-16	15	3⅛	17¾
Westng	25	337	1-16	18	3-16	b	b	17¾
Westng p	25	7	7½	a	a	b	b	17¾

Total volume 32,831 Open interest 1,016,813
a—Not traded. b—No option offered. p—Put.
Sales in 100s. Last is premium (purchase price).

Chicago Options Table

Option & price		Vol. — Nov —	Last	Vol. — Feb —	Last	Vol. — May —	Last	Close N.Y.
A E P	19⅝	3	4½	a	a	b	b	24⅝
A E P	20	b	b	b	b	6	4½	24⅝
A E P	25	b	b	b	b	14	5-16	24⅝
Am Hos	20	2	5¼	a	a	5	6¼	25⅝
Am Hos	25	107	⅛	40	2	21	2⅜	25⅝
A M P	25	a	a	a	a	3	3⅞	28
A M P	30	1	⅛	9	11-16	2	1¼	28
Bally	15	b	b	82	2⅜	35	3¼	16⅝
Bally	25	7	1-16	4	3-16	a	a	16⅝
Bally	30	2	1-16	b	b	b	b	16⅝
Baxter	30	40	4⅝	a	a	a	a	34¾
Baxter	35	62	¾	40	1⅞	100	2⅜	34¾
Blk Dk	15	195	½	62	1¼	67	1⅝	15⅝
Blk Dk	20	34	1-16	[illegible]	⅛	20	⅜	15⅝
Boeing p	20	83	5⅝	b	b	b	b	26
Boeing p	25	157	1⅝	79	2⅛	82	13-16	26
Boeing p	30	32	1-16	25	7-16	11	⅜	26
Bois C	25	1	13-16	a	a	2	2 7-16	25¾
Bois C	30	a	a	a	a	6	11-16	25¾
C B S	45	b	b	1	4¼	a	a	48½
C B S	50	2	¼	44	1⅜	11	2⅛	48½
Coke	35	32	3⅛	2	3½	a	a	38
Coke	40	222	⅛	36	⅜	17	1¼	38
Colgat	20	1	2	7	2½	4	2⅜	21⅞
Colgat	25	3	1-16	38	¼	17	7-16	21⅞
Cmw Ed	30	1	1-16	74	5-16	8	5-16	28½
C Data	20	259	1⅝	222	2 5-16	117	3⅛	21¼
C Data	25	155	1-16	147	½	100	1	21¼
Gn Dyn	45	b	b	6	3¼	17	4	45¼
Gn Dyn	50	439	⅛	56	1¼	116	1 15-16	45¼
Gen Fd	30	38	⅛	23	1⅛	16	1⅜	30⅝
Gen Fd	35	5	1-16	2	3-16	5	7-16	30⅝
Hewlet	70	209	2⅜	21	5⅝	5	6⅝	72
H Inns	10	41	3	6	3⅛	27	3⅜	13
H Inns	15	11	1-16	145	⅛	185	9-16	13
Honwll	45	652	1 7-16	238	2 11-16	19	3⅜	46
Honwll p	45	596	¾	288	1⅜	16	2 9-16	46
Honwll	50	400	1-16	98	⅜	190	1⅛	46
Honwll p	50	45	4⅝	7	4⅜	4	5¼	46
Honwll	60	5	1-16	1	⅛	a	a	46
Honwll p	60	a	a	a	a	5	14¾	46
In Flv	25	20	1-16	6	¼	5	7-16	20½
J Manv	30	1	2	a	a	8	3⅛	31⅝
J Manv	35	49	1-16	97	⅛	96	1⅛	31⅝
Mobil	60	137	15-16	41	2¼	21	2¾	61⅛
Mobil	65	2	⅛	15	⅛	30	15-16	61⅛
Mobil	70	a	a	13	¼	10	⅜	61⅛
N Semi	15	28	4¼	36	4½	b	b	19¼
N Semi	20	372	7-16	232	1⅛	100	2⅛	19¼
N Semi	25	61	1-16	98	5-16	106	⅜	19¼
Occi	20	133	4¼	61	4⅝	26	4⅝	24⅛
Occi	25	242	5-16	118	1⅛	191	1⅜	24⅛
Occi	30	67	1-16	101	¼	42	½	24⅛
Raythn	25	a	a	a	a	3	5⅜	29¾
Raythn	30	63	⅛	94	1⅜	98	2¼	29¾
Raythn	35	4	1-16	[illegible]	½	b	b	29¾
Rynlds	60	10	1¼	a	a	4	3¼	60⅞
Rynlds	70	4	1-16	1	⅛	EA	A	[illegible]
Slumb	60	50	6⅛	25	7	12	8½	66⅝
Slumb	70	498	¼	65	1⅜	42	3	66⅝
Skylin	10	5	3⅞	20	4	a	a	14
Skylin	15	238	3-16	73	11-16	69	1 3-16	14
Southn	15	622	11-16	15	2½	6	2⅛	17⅝
Southn	20	a	a	a	a	6	1-16	17⅝
St Ind	45	5	2⅞	a	a	5	4⅛	47¾
St Ind	50	34	3-16	26	13-16	3	1½	47¾
Tx Glf	20	5	5-16	19	⅜	10	1⅛	18¾
Tx Glf	25	4	1-16	2	⅛	a	a	18¾
U A L	15	1432	11-16	37	3	11	3⅛	17⅝
U A L	20	147	⅛	138	⅜	60	1¼	17⅝
U A L	25	a	a	120	⅛	b	b	17⅝
U Tech	35	153	½	87	1⅜	95	2⅛	34⅝
U Tech	40	48	1-16	99	3-16	3	9-16	34⅝
Willms	20	5	1-16	26	9-16	120	1	18½
Willms	25	a	a	6	⅛	a	a	18½

Option & price		Vol. — Jan —	Last	Vol. — Apr —	Last	Vol. — Jul —	Last	Close
Alcoa	40	30	4½	24	5⅝	a	a	44¼
Alcoa	45	42	1⅝	37	2¼	1	2⅜	44¼
Alcoa	50	104	¼	10	⅞	b	b	44¼
Am Exp	35	a	a	5	3¼	a	a	36⅞
Am Exp	40	a	a	25	⅜	50	1¼	36⅞
Am Tel	55	20	4½	a	a	2	4⅝	59¼
Am Tel	60	60	⅛	13	15-16	18	1 9-16	59¼
Am Tel	65	44	1-16	38	3-16	14	3-16	59¼
Atl R	50	69	2¾	20	4	15	4⅝	51⅝
Atl R	60	163	¼	31	11-16	10	1⅛	51⅝
Avon	40	58	5¼	a	a	a	a	45⅛
Avon p	40	387	[illegible]	13	1⅛	24	1½	45⅛
Avon	45	630	1⅝	471	2⅛	65	2⅜	45⅛
Avon p	45	643	13-16	43	2⅞	8	3½	45⅛
Avon	50	270	¼	154	9-16	97	15-16	45⅛
Avon p	50	97	5⅛	44	6⅜	a	a	45⅛
BankAm	20	a	a	3	3	5	3⅛	22¾
BankAm	25	20	5-16	27	½	20	⅞	22¾
Beth S	15	53	5⅛	15	5⅛	1	5⅛	20¼
Beth S	20	235	1⅛	73	1 15-16	93	2¼	20¼
Beth S	25	255	3-16	192	9-16	b	b	20¼
Beth S	30	22	1-16	a	a	b	b	20¼
Beth S	40	[illegible]	1-16	b	b	b	b	20¼
Bruns	10	27	1⅛	10	2	26	2⅛	11⅝
Bruns	15	51	⅛	38	3-16	71	5-16	11⅝
Burl N	35	5	3¾	a	a	a	a	38⅝
Burl N	40	61	1⅛	63	1⅜	33	2⅛	38⅝
Burl N	45	11	¼	5	9-16	b	b	38⅝
Burl N	50	7	1-16	a	a	b	b	38⅝
Burrgh	50	115	16⅝	b	b	b	b	66⅛
Burrgh	60	282	7½	27	8⅝	5	10¼	66⅛
Burrgh	70	211	1 9-16	35	3	21	4⅛	66⅛
Citicp	20	352	2⅛	170	3	216	3¼	22½
Citicp	25	248	⅛	357	1-16	64	15-16	22½
Delta	30	1	3⅝	a	a	a	a	33⅝
Delta	35	92	⅞	36	1½	10	2	33⅝
Dig Eq	35	444	11	b	b	b	b	45⅞
Dig Eq	40	611	6⅛	70	7⅛	40	8½	45⅞
Dig Eq	45	463	2⅜	267	4	48	5⅛	45⅞
Dig Eq	50	355	⅞	378	1 15-16	115	2 13-16	45⅞
Disney	30	77	6¾	20	7⅛	a	a	36⅝
Disney	35	113	2⅜	94	3½	4	4⅝	36⅝
Disney	40	105	⅜	66	1 7-16	27	1⅞	36⅝
Dow Ch	25	218	3¼	107	4	29	4½	28⅜
Dow Ch	30	401	⅜	233	1 5-16	46	1⅝	28⅜
Dow Ch	35	66	⅛	35	¼	b	b	28⅜
Dow Ch	40	3	1-16	b	b	b	b	28⅜
du Pnt	100	101	13	104	14⅝	188	15	113½
du Pnt	110	339	5¼	64	7	93	8½	113½
du Pnt	120	358	1½	52	2⅛	228	3⅛	113½
du Pnt	130	35	⅛	b	b	b	b	113½
Eas Kd	50	565	4⅛	226	5⅛	62	6¾	53⅝
Eas Kd p	50	1732	1½	96	2 3-16	135	2⅜	53⅝
Eas Kd	60	666	11-16	420	1⅛	119	2⅜	53⅝
Eas Kd p	60	391	7¼	38	7⅝	17	8	53⅝
Eas Kd	70	59	1-16	47	⅜	b	b	53⅝
Eas Kd p	70	18	17	8	17¼	b	b	53⅝
Exxon	45	161	15-16	17	2¼	35	3⅛	47
Exxon	50	134	⅛	28	⅜	33	1 1-16	47
Exxon	55	3	1-16	23	⅛	b	b	47
F N M	15	18	¾	22	⅞	56	1	15⅝
F N M	20	6	1-16	53	1-16	20	⅛	15⅝
Fluor	35	17	2¾	5	3½	a	a	36¾
Fluor	40	48	⅜	48	1 5-16	8	1 13-16	36¾
Fluor	45	35	⅛	2	5-16	b	b	36¾
Ford	40	69	3½	42	¾	7	4½	42⅞
Ford p	40	1	3¼	b	b	b	b	42⅞
Ford p	44	17	1¼	b	b	b	b	42⅞
Ford	45	211	¾	71	1⅜	13	1¾	42⅞
Ford p	48	49	5-16	a	b	b	b	42⅞
Gen El	50	113	1 13-16	214	2⅜	19	3⅛	50⅛
Gen El	55	205	5-16	60	11-16	52	11-16	50⅛
G M	60	339	7½	203	7¼	33	7⅛	67½
G M p	60	1244	⅜	219	1 9-16	83	2¼	67½
G M	70	1177	¼	448	13-16	45	1⅜	67½
G M p	70	723	6	138	7⅛	27	8⅛	67½
Gt Wst	20	22	2⅜	2	2⅛	35	3	21⅞
Gt Wst	25	58	¼	55	½	61	11-16	21⅞
GlfWn	10	259	1½	33	1½	691	13-16	11
Glf Wn	15	93	1-16	43	3-16	101	⅛	11
Halbtn	50	195	9½	a	a	a	a	59½
Halbtn	60	277	2 1-16	a	a	a	a	59½
Halbtn	70	1	¼	1	⅛	b	b	59½
Homstk	35	194	4⅝	3	6¼	29	6¾	38⅞
Homstk	40	851	1 13-16	222	2⅝	96	3⅛	38⅞
Homstk	45	926	⅛	305	1⅛	183	1 9-16	38⅞
Hou OM p	26¾	28	3½	b	b	b	b	28⅜
Hou OM p	30	46	1⅛	b	b	b	b	28⅜
Hou OM p	33⅝	95	1 1-16	b	b	b	b	28⅜
Hou OM p	40	88	¼	b	b	b	b	28⅜
Hou OM	25	314	4⅝	97	5⅛	43	6¼	28⅜
Hou OM	30	1230	1 15-16	345	3	186	3⅜	28⅜
Hou OM	35	889	11-16	378	1⅜	156	2 3-16	28⅜
Hou OM	40	342	¼	325	⅛	b	b	28⅜
Hou OM	45	77	⅛	97	⅛	b	b	28⅜
I N A	40	9	1⅝	a	a	a	a	40⅝
IN A	45	a	a	5	⅛	a	a	40⅝
I N A	50	3	1-16	a	a	b	b	40⅝
IB M	240	1177	20	122	22¾	13	25¼	258⅞
I B M p	240	909	1 7-16	232	3⅛	122	5	258⅞
I B M	260	2614	6	304	9¾	80	12½	258⅞
I B M p	260	964	7⅛	105	10⅛	47	12⅛	[illegible]
I B M	280	1020	11-16	341	3	66	[illegible]	[illegible]
I B M p	280	172	23¼	32	25	15	[illegible]	[illegible]
In Har	25	111	2¼	60	2⅛	14	[illegible]	[illegible]
In Har	30	10	⅛	32	9-16	26	[illegible]	[illegible]
In Har	35	a	a	2	⅛	b	[illegible]	[illegible]
In Har	40	4	1-16	b	b	b	[illegible]	[illegible]
In Min	35	15	4½	a	a	a	[illegible]	[illegible]
In Min	40	42	1-16	15	¼	2	[illegible]	[illegible]
In Pap	40	78	2⅛	22	3½	4	[illegible]	[illegible]
In Pap	45	90	7-16	47	1⅛	b	[illegible]	[illegible]
In Pap	50	10	⅛	[illegible]	½	b	[illegible]	[illegible]
I T T	25	19	4⅝	a	a	30	[illegible]	[illegible]
I T T	30	369	1 1-16	191	1 9-16	93	[illegible]	[illegible]
I T T	35	110	1-16	94	¼	9	[illegible]	[illegible]
John J	60	63	14	18	15½	b	[illegible]	[illegible]
John J	70	72	5½	21	7	9	[illegible]	[illegible]
John J	80	14	⅛	44	1⅜	11	[illegible]	[illegible]
K mart	25	145	4⅝	1	5¼	5	[illegible]	[illegible]
K mart	30	99	1 1-16	37	1⅞	54	[illegible]	[illegible]
Kmart	35	15	3-16	b	b	b	[illegible]	[illegible]
Kenn C	20	28	3¼	25	4	79	[illegible]	[illegible]
Kenn C	30	7	⅛	71	¼	b	[illegible]	[illegible]
Kerr M	50	40	3½	5	[illegible]	a	[illegible]	[illegible]
KerrM	60	31	⅜	11	1⅜	1	[illegible]	[illegible]
KerrM	70	a	a	1	¼	b	[illegible]	[illegible]
Loews	25	2	7⅞	54	A	D	[illegible]	[illegible]
Loews	30	34	2 15-16	a	a	10	[illegible]	[illegible]
Loews	35	79	9-16	18	1⅛	10	[illegible]	[illegible]
Mc Don	40	350	7⅞	a	a	a	[illegible]	[illegible]
Mc Don	45	427	3⅝	5	5	16	[illegible]	[illegible]
McDon	50	559	1	46	2½	a	[illegible]	[illegible]
Merck	50	53	5⅛	34	6	3	[illegible]	[illegible]
Merck	60	135	¼	18	1⅛	60	[illegible]	[illegible]
Merril	15	49	1 1-16	a	1 9-16	8	[illegible]	[illegible]
Merril	20	231	⅛	124	⅜	60	[illegible]	[illegible]
M M M	45	434	3⅞	49	4¼	15	[illegible]	[illegible]
M M M	50	246	15-16	64	1⅜	73	[illegible]	[illegible]
Monsan	50	80	6⅝	12	6⅞	a	[illegible]	[illegible]
Monsan	60	299	¾	84	1 9-16	17	[illegible]	[illegible]
Monsan	70	20	1-16	6	3-16	b	[illegible]	[illegible]
N C R	30	10	12¼	b	b	b	[illegible]	[illegible]
N C R	35	183	7½	a	a	a	[illegible]	[illegible]
N C R	40	442	2⅛	74	4⅛	13	[illegible]	[illegible]
N C R	45	220	13-16	69	1⅜	24	[illegible]	[illegible]
Nw Air	20	75	1¼	153	2½	129	[illegible]	[illegible]
Nw Air	25	63	5-16	12	½	35	[illegible]	[illegible]
Pennz	25	112	11-16	6	3¼	a	[illegible]	[illegible]
Pennz	30	14	5-16	26	11-16	16	[illegible]	[illegible]
Pennz	35	a	1-16	4	⅛	b	[illegible]	[illegible]
Pepsi	23⅝	5	2½	b	b	b	[illegible]	[illegible]
Pepsi	25	127	1⅛	264	1⅝	a	[illegible]	[illegible]
Pepsi	26⅞	2	⅛	b	b	b	[illegible]	[illegible]
Polar	25	329	2⅛	110	3⅛	75	[illegible]	[illegible]
Polar	30	468	½	223	1-16	91	[illegible]	[illegible]
R C A	25	124	1⅝	761	2¼	122	[illegible]	[illegible]
R C A	30	155	3-16	65	9-16	55	[illegible]	[illegible]
R C A	35	a	a	1	⅛	b	[illegible]	[illegible]
Sears	25	129	4⅛	104	5⅛	35	[illegible]	[illegible]
Sears	30	722	⅛	256	1 3-16	153	[illegible]	[illegible]
Sears	35	66	1-16	10	¼	b	[illegible]	[illegible]
Sperry	30	147	2⅛	71	3⅛	47	[illegible]	[illegible]
Sperry	35	210	1-16	159	1⅛	84	[illegible]	[illegible]
Sperry	40	11	1-16	15	¼	b	[illegible]	[illegible]
Syntex	15	62	2⅛	20	2 13-16	6	[illegible]	[illegible]
Syntex	20	377	3-16	123	7-16	76	[illegible]	[illegible]
Tandy	20	7	8¼	a	a	b	[illegible]	[illegible]
Tandy	25	35	4⅛	a	a	a	[illegible]	[illegible]
Tandy	30	25	17-16	5	2 3-16	a	[illegible]	[illegible]
Teldyn	45	463	13	169	13	b	[illegible]	[illegible]
Teldyn	50	514	8½	62	10⅛	a	[illegible]	[illegible]
Teldyn	55	543	4⅝	28	7	7	[illegible]	[illegible]
Teldyn	60	1084	2⅜	247	4⅝	139	[illegible]	[illegible]
Teldyn	70	345	½	175	1⅛	b	[illegible]	[illegible]
Tesoro	10	60	⅛	60	1	92	[illegible]	[illegible]
Tesoro	15	20	1-16	17	1-16	a	[illegible]	[illegible]
Tex In	70	148	8¾	a	a	a	[illegible]	[illegible]
Tex In	80	247	3	137	4⅛	a	[illegible]	[illegible]
Tex In	90	97	½	57	1⅝	b	[illegible]	[illegible]
Upjohn	30	137	4⅛	46	5¼	a	[illegible]	[illegible]
Upjohn	35	263	1	134	1⅝	18	[illegible]	[illegible]
Weyerh	25	100	1⅝	48	2½	15	[illegible]	[illegible]
Weyerh	30	102	⅛	32	11-16	28	[illegible]	[illegible]
Weyerh	35	140	1-16	a	a	b	[illegible]	[illegible]
Weyerh	40	1	1-16	b	b	b	[illegible]	[illegible]
Xerox	45	424	9	332	[illegible]	[illegible]	[illegible]	[illegible]
Xerox	50	860	[illegible]	263	3	48	[illegible]	[illegible]
Xerox	60	22	⅛	189	½	8	[illegible]	[illegible]

Total volume 77,481 Open interest [illegible]
a—Not traded. b—No option offered. p—Put.
Sales in 100s. Last is premium (purchase price).

Insurance Stocks

AccmyInsGa			1⅜	1⅝
AmBkrInsFla	.24	51	4½	4½
ABkrLfFla	.20	63	6⅛	6⅝+ ⅛
AmCapitol	.15e	3	2⅞	3¼—1-16
AmCmwlthFn			1½	2
AmFidelLife	.08		7½	8 — ½
AmGuarntyFn	s	12	4⅝	4⅞
AmIncmLife		81	14½	15¼
AmIntlGrp	.28	294	33¼	34¼+ ¼
AmIntlRein	.16	116	24	25
AmInvstLife	.20e		3½	4
AmNatlFinl	.46	4	10½	10⅞
AmPioneer Cp		2	1½	2¼
AmReinsur	.60	55	21⅝	21⅞+ ⅜
AmResrvCp	.02f	38	3¼	3⅝
AmStatesLf	.44	8	15½	16
AmUndrwritr	.44	12	7¼	8
AssocMadis	.05e	69	3¼	3½
BankrsSecLf	.44	39	10¾	11⅛+ ⅛
BenefNatCp s			3⅝	4½
BMA	.68	25	16⅞	17⅜
CarolCaslty	.25e	4	5⅛	5⅜— ¼
Centennial Cp		14	8½	8⅞
ChaseNatLife	1		11⅝	12⅜
ChespkLfA	.24		4¼	5¼
ChespkLfB	.24		4	4⅜
ChubbCorp	1.60	581	33⅛	33⅞+ ⅜
CoastStsCp	.28	3	8	8⅜
College Univ	.18	4	13⅝	14¼
ColonlLifeAcc	.36	15	12¼	12⅜
Columbia Natl			3⅞	4⅜
CombInsAm	1	88	15⅝	16½
ConnGenIns	1.20	310	47¼	47⅜+ ¼
ContAmLife	1.16	7	19	20½
CotlnStatLife	.27e	1	4¼	4⅝
Criterion Ins		6	18¾	19¼
DurhamLife	1b	z23	30¾	31⅜
ERCCorp	.72	163	22¾	23⅜+1
Eldorado Genl		109	1⅝	2¼+ ⅛
EmpFirMar	.30		8⅞	9⅜
Empire Gen		18	2	2⅜
EmployerCas	1b	3	33	34½
EquitGenCp	.80	2	22	22 + ¼
EquitLifeIowa	.84	15	22¼	22¾— ⅜
ExcelsiorNY	.60		6½	8½
FarmHomeLf			6¾	7¾
FarmersGrp	.60	13	20¼	20¾
FarmNewWL	.32	20	44½	46½
FidelCp Va		10	2⅞	3⅛
FidelUnLife	1.20	11	27⅛	27⅝— ⅛
FinlSecGrp	.32	5	8	8½
FstAmFin	.60	19	16½	17½— ¼
FstColonyLfe	.56	45	18	19 +1¼
FstContlLife	.32		7⅜	8½+ ¼
FstExecCp		10	2⅜	3¼
FstFederLfe	.40		9¼	10
FstUtdInc			1¾	1 15-16
FortuneNat s	s		3⅞	4½
FoundInFnlCp			⅜	⅝
FounderFinl	.05e	z28	1½	1⅝
FranklinLife	1	35	28¼	28¾
GenReinsur	1.20	87	161	165 +3
GeoWashInCp			1⅛	1⅜
GermaniaIns	.33e		8	10
GlobeLifeAc	.32b	8	13½	14
GovtEmpIns		257	6½	6⅞+ ⅛
GovtEmp wt			⅛	⅝
GovEmp pf	.74	84	13⅞	14¼+ ⅛
GovtEmpLife	.36	23	11⅞	12⅜+ ⅛
GtSouthnCp	.84	9	23⅜	23⅞
GuarantyNatl	.40	2	13¼	14
HanoverIns	.24	33	20⅝	21¼— ⅛
HartfdStmBl	2.80	18	44¾	45¾
HomeBenef	1.40	1	35½	35⅞
IndpLbtyLife		9	1⅞	2¼
IndepLifeAcc	.80	117	14⅝	15 — ⅛
IndianaGrp	.44	24	17¼	17⅜
IntrcontLife	.08e	11	2½	2⅞
Interfinci	.60	15	11⅜	11⅞
IntlLifeHldns		16	2⅞	3⅜
InvHeritKy	.30e		9½	10½
Investing Am			7	8
JeffrsnNatLf	.32	31	12¼	12¾+ ⅛
KansCityLife	1.60	35	44½	45½— ⅜
KemperCorp	1.20	2	32¾	33½
KyCentLife	.24	29	9½	9⅝
LamarLife	.50		18¼	19½
LibrtyNatLife	85	29	22⅜	22⅞+ ⅛
LifeAm Bost			2	2½
LifeInsGa	.88	28	23	23½+ ⅞
LifeInvInc	.12	15	8	8½+ ⅛
Lifesurance		2	5	5½
LincIncLf	.48	13	11	11¾
LoyalAmLife	.20e	z33	10	11
MassGen Life			4	4⅝
MercuryGenl	.48	6	17½	18 + ⅛
MeridnLife	.20e	8	7⅝	8½— ¼
MinnTitleFinl	1	30	13¾	14¼
ModrnSecL	.20e	z15	1⅝	2
MonarchCap	.88	106	18⅝	19¼
MonumentCp	.56	122	19⅜	20¼
MotClAmIns	.14		3	3½
MutSavLfe	.48	24	10⅞	11⅛
NNCorp	1.60	25	23⅝	24½
NatLifeFla	.20	35	5⅛	5⅛
NatOldLine	.30	111	7⅜	7⅝+1-16
NatResrvLf	.90e	259	16	17
NatSecIns	.10e		8⅜	9⅛+ ⅛
NatWestn Lf		17	4⅝	4 13-16
NationwideA	42	38	11	11⅝+ ¼
NJLife Co			⅝	1 + ⅛
NorthCentrl	.07e		9½	11½
NoreastHart	1		41¼	44¼+ ¼
NorNatLife	.10e		4¼	5¼
NowstNatLife	.75	55	21⅜	22¼+ ⅛
OccidentLf	.10e	2	3½	3⅞
OhCasualty	1.72	31	41	43
OldRepInt		63	16¾	17½+ ½
PacStd Life		256	1⅝	1⅞
PeerlessIns	.50	14	10⅜	11⅛
PensIrIns	.32	3	7⅜	8⅛
Penn Life		406	3 7-16	3⅝+ ⅛
PhilaLife	50r	88	33⅝	[illegible]
PiedmtMan	.14		4⅜	[illegible]
PreferdRisk	32	7	11⅛	[illegible]
ProvLifeAcc	09	3	35½	[illegible]
Pres Life			3	[illegible]
ProtectiveLife	.92		23⅜	[illegible]
ProvidLife	.25a	z13	18½	[illegible]
ReliableLife	80e	67	17⅜	[illegible]
RepbNatLife		94	8	[illegible]
Ryanins Grp	20		13⅝	[illegible]
SafecoCorp	1.53	73	39⅝	[illegible]
StPaulCos	1	158	29⅝	[illegible]
SecurAmLife	50b	3	14⅛	[illegible]
SecurConn Life	1	24	15⅝	[illegible]
SecurLifeAcc	48	z31	14⅛	[illegible]
SecurLifeGa	48	2	12⅜	[illegible]
SelectedRisks	1.20	13	27⅛	[illegible]
SoonerLfIn	20		10	[illegible]
SoCarolIns	78	13	11⅞	[illegible]
SouUnAla	10e		3	[illegible]
SouthlandFin	32	44	13½	[illegible]
SowstnLife	72	79	18⅝	[illegible]
SovereignCp	03r	120	4	[illegible]
StLifeIndiana	.20b	15	15⅛	[illegible]
StdSec Life			6⅝	[illegible]
StatesmGrp	.13a	20	4½	[illegible]
TimeHolding	60	51	35	[illegible]
TransprtLife	24	55	6⅛	[illegible]
Unicoa		168	24	[illegible]
UnitAmer Life			2⅜	[illegible]
UnitDiversifd			1½	[illegible]
UnFireCaslt	1	7	23¼	[illegible]
UnitLbrtyLf	25e	4	2½	[illegible]
UnPresLfe			2⅝	[illegible]
UnitSvLf in			7	[illegible]
UnitSvcLife	60b	32	12⅜	[illegible]
Vico Corp		30	3⅛	[illegible]
WestnCasSur	1	6	23⅛	[illegible]
WestnStaLife	1.20		11½	[illegible]
Windsor Life		13	1⅜	[illegible]
WrldSvcLife		70	4⅜	[illegible]
ZenithNat Ins		34	12	[illegible]
Zenith United			7⅛	[illegible]

[Ec]onomic Scene

[Con]tinued from Page 9.)

...g professional commission ...nts in foreign markets to ...te the access abroad by ...ers.

...ugh the exchanges of the ... States overshadow the ...in trading volume and in ...lity to handle large trans... quickly and without dis... price effects, the U.S. ... have not been able to ...eir foreign colleagues to ... fast on some changes as ...d hoped.

...Disclosure Lag

...major disappointment, Mr. ... conceded, has been the ...o win approval for a plan for more frequent disclosure of financial information by companies already listed on exchanges to decide whether they qualify for continued listing. The organization's working committee suggested financial reporting at least every six months (compared with the quarterly reports required in the United States), but there was disagreement on that proposal. It will come up again next year at the meeting in Rio de Janeiro.

Meanwhile, officials of foreign stock exchanges have their own complaints about certain aspects of the U.S. securities markets. They question the advisability of the government's effort here to allow trading off the floors of the exchanges, and they would like to see the United States withdraw the withholding tax on dividends and interest paid to foreigners with investments in this country. The foreign securities officials say that much more investment would flow to the United States if that tax procedure were withdrawn. However, it is a sizable sum and not likely to be removed soon.

The withholding tax is set at 15 per cent on dividends and it runs up to 30 per cent on interest payments, depending on the nature of tax treaties with different countries.

U.S. Leads Easily

Despite that handicap, the United States remains the largest securities market. Statistical material published by the international group showed that the United States easily led the world in the value of securities trading with a market value of $173.3 billion for shares traded on its two largest exchanges (of which $165.7 billion represented volume on the Big Board).

The closest followers were: the Japanese exchanges (Tokyo and Osaka), with $92.3 billion in the value of stocks traded; Zurich, with $43.1 billion; London, with $24.1 billion, and Germany, with $11.7 billion.

There are no figures available on the total foreign activity on the various exchanges each year, but the U.S. market is recognized as the major vehicle for such international investment.

Activity Levels

The gross volume of purchases and sales of U.S. corporate equities increased from $14.7 billion in 1974 to $33.7 billion last year, but activity tailed off to an annual rate of about $26 billion in the first half of this year, and has remained sluggish. Meanwhile, however, foreign holdings of U.S. Treasury issues rose almost $10 billion in this year's first six months, almost equalling the growth for all of last year. Most of that volume represented acquisitions by oil-producing nations.

[Eu]romarket

[Con]tinued from Page 9.)

...w market rates even tak... account the issue's heavy ...ation schedule. This re...etirement in five equal ...ents to give an average ...three years.

...f selling group members ... their 1.25-per cent com... to the investor, the yield ...ome to only 7.81. In com...n, an outstanding $200-... four-year note issue of ... was available to investors ... secondary market at a ... 7.90 per cent.

...ounter the effects of the ... weakness, a syndicate ...a deutsche mark payment ... to a slow-selling $35-... 10.5-year convertible issue ...dvik Ab, the Swedish steel ...utting tool company. And ... the trick, for the issue ... trading at 99.25-100 af...ing priced at par bearing ...r cent.

...stors have the right to re...payment of interest and ...al in either dollars or ...he marks. If they choose ...he marks, they would get ... that is about the same as ...che mark straight bond is... The conversion rate good ... life of the issue is 2.2608 ... per dollar.

...ever, investors were also ... the option of converting ...bonds into the company's ...olm-listed shares at 235 ... kronor, a premium of ...% per cent above the share ... the time of the offer...

... Friday, a syndicate ...d a $50-million, five-year ...e of Norsk Hydro A/S ... indicated 7.625 per cent ...ate.

[M]arket Volume

	Oct. 28	Oct. 21
...	$934.2 mil.	$988.2 mil.
...	$1,576.5 mil.	$1,896 mil.

SPORTS

A Week of Decisions on Baseball's New Class of Free Agents

By Murray Chass

NEW YORK, Oct. 30 (NYT).—Armed with the knowledge that wealthy free agents helped the Yankees win the championship and helped all teams set a major league attendance record, baseball's 26 club owners checked their checkbooks this weekend to find out how many millions of dollars they have to spend on the second class of free agents.

The members of that class—totaling 86—will find out Friday which teams they might graduate to. For how much, they'll learn when they begin negotiating.

Last year 25 free agents placed themselves on the market and wound up collecting just about $25 million.

More than half of that group were considered quality players; not so this year. Of the 39 major leaguers already established as free agents, barely a dozen could be classified as quality players.

Topping the list, and therefore bound to be the object of the highest bidders' affection, are Larry Hisle and Lyman Bostock, of Minnesota; and Richie Zisk and Oscar Gamble, Chicago White Sox, all outfielders; and Rich Gossage, Pittsburgh, and Ross Grimsley, Baltimore, pitchers.

Mike Torrez, the Yankee pitcher who won two World Series games, also could be high on the draft list if he fails to sign a new contract with the Yankees in the next couple of days. He has until midnight Wednesday to declare his intentions.

In planning their future wealth and place of employment, these and other free agents might consider the experiences of the first class of free agents.

Turmoil and Injuries

Reggie Jackson, the highest paid member of the class at $2.9 million, spent an entire season in turmoil with the Yankees, not all of his own doing. Don Gullett ($1,996,000) often was injured and missing from the Yankee pitching rotation. Bobby Grich ($1,650,000) and Joe Rudi ($2.2 million) missed most of the season for California with injuries.

Then there was Wayne Garland, Cleveland's $2.3-million pitcher who was hurt not physically but in his record, which plummeted from 20-7 to 13-19. He spoke most candidly about the part of free agency that is not so glamorous.

"I felt pressure the whole year," said Garland, who nevertheless finished in the American League's top three in games started (38) and games completed (21). "I think I'll feel pressure the whole 10 years I'll be with the Indians. It eased off from what it was the first two and a half months of the season, but it'll always be there. People will always bring it up.

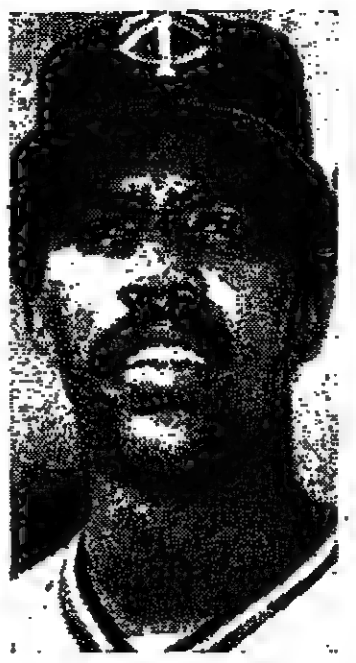
"Early in the season it was tough to come to the ballpark. The fans got on me. They kept bringing up the money. I was pressing. I had expected it, but I thought I could handle it. But the pressure was so tough I couldn't believe it. "I'm lucky I kept my sanity."

This year's free agents fall into three categories: 33 players who played the 1977 season without a new contract, 19 who played with one-year contracts and have served in the majors for six or more seasons, and, the most obscure group, 34 who had major-league contracts in 1976 but were assigned outright to minor-league clubs prior to last March and never signed new major-league contracts in 1977.

Of the 33 players in the first group (11 belonging to Minnesota), 20 were major-leaguers this past season. Among that number are Zisk, Hisle, Bostock, Gossage, Dave Kingman (Yankee designated hitter), George Medich (Met pitcher), Bruce Bochte (Cleveland outfielder), Rawley Eastwick (St. Louis relief pitcher) and Mike Marshall (Texas relief pitcher).

The second group could expand in number by Wednesday because 15 players have until then to inform the Players Association whether they want to be free agents. Besides Torrez, some of the players in that bunch are Gary Nolan (California pitcher), Bill Bonham (Cubs pitcher), Wilbur Wood (White Sox pitcher), Jerry Grote (Los Angeles catcher) and Willie McCovey (San Francisco first baseman), who was a free agent last year.

Among the 19 six-year players



Lyman Bostock

Larry Hisle

who already have opted for free agency are Gamble, Grimsley, Elliott Maddox (Baltimore outfielder), Carlos May (California designated hitter), Ron Blomberg (forgotten Yankee designated hitter), Elrod Hendricks (Yankee catcher), Mike Jorgensen (Oakland first baseman), Terry Forster (Pittsburgh pitcher) and Ray Fosse (Seattle catcher).

If the number of free agents remains at 86, each club would be eligible to sign four players, twice the number of last year. However, if the total goes to 87 or more, the quota for each team will be five.

No matter what the quotas, a club can sign as many players as it loses to free agency, which means the Twins could sign 11 players. However, if Calvin Griffith, the penurious owner, wanted to spend that much money, he could have signed Hisle, Bostock and some others and kept his team basically intact.

Griffith, interestingly, is one owner who foresees less spending this year than last. There has been so much talk, in fact, about spending less money or no money at all that Marvin Miller, the executive director of the Players Association, is concerned about a possible conspiracy among the owners.

'Like Money Was Water'

Griffith, for his part, said at one point last month that owners "are kicking themselves in the pants, a lot of them, for what they've spent and what it's accomplished for them. I look for re-entry this year not be anywhere near like it was last year. They didn't know what to expect last year. They went out bidding like money was water. A lot have learned their lesson. High-priced players are not going to bring them a championship."

That, of course, was before the Yankees and their high-priced free agents won the championship. So much for that argument.

Furthermore, last year's free agents spoiled the idea that all that money would lessen their desire and incentive to play well. Of the 25, 12 had better years statistically than the previous season, three finished with approximately the same totals and three played in the majors after having spent 1976 in the minors. Of the six whose records weren't as good, Dick Allen quit after playing 54 games and Rudi and Grich were sidelined after approximately the same number of games. Nate Colbert did not play for anyone.

More Sports News On Page 15

Bland Is Victor In Rhodesia Golf

VICTORIA FALLS, Rhodesia, Oct. 30 (Reuters).—John Bland brushed off a late challenge by fellow South African John Fourie to win the $60,000 Victoria Falls golf classic yesterday.

Fourie picked up two strokes on the overnight leader before Bland sank birdies at the 16th and 17th on the 7,868-yard course, eventually winning by three strokes. Each shot a 1-under-par 72 in the final round. South Africans Gary Player and Andries Oosterhuizen shared third place, with 288.

DM BONDS

(Average Prices)

Australia 7-87	108.90
Australia 8-82	112
Austria 8½-87	107.25
B.F Comm Ext. 8¼-83	108.50
City of Bergen 8¾-85	104.25
British Gas 6¾-84	106.85
CFP 8½-85	109
Cas Nat Autor. 9½-82	106.50
Cass Nat Telec 8¾-82	100.75
Copenhagen 7¾-88	107.46
Courtaulds 6½-87	106.75
Denmark 8¼-82	108
Daimler-Benz Fin 8-85	108.75
E I B 7¾-88	107
E I B 8-80	108.75
Estel 8¼-85	102.75
Eurofima 8-83	101.40
Europarat 7-88	106.50
Finland 7-87	101.50
Forsmarks 8¼-83	108.25
I C I Int. Fin 6½-82	105.90
ICI Int. Fin 6¾-82	107.20
Ind Hyp Finn 8-84	96
Int Am Dev Bk 8¼-85	104
Johannesburg 8-88	107
K H D Fin Hold 6¾-87	105
K L M Int 8½-85	102
Montanunion 6¾-88	109
Montanunion 8-82	101.35
Newfoundland 6½-88	104.75
New Zealand 7-87	107.75
Norsk Hydro 8-87	107
Norway 8¼-90	103.20
Oester Donaukw 6¾-88	111.50
Oester Donaukw. 8¾-85	108
Ontario Hydro 6½-87	104
Philip Morris 6¾-87	104.20
Philips 8¾-82	108.90
Post-OchKred Bk8½-83	105.35
Prov Quebec 8½-87	100.40
Sth Afr Railw 9½-80	104.75
Sveriges Inv Bk 8¾-83	105.40
Sanko Steamship 8¼-85	104.30
Unilever 8½-87	112.10
Voest-Alpine 8¼-85	108.80
Worldbank 6¾-87	102.30
Worldbank 8-82	109.15
Worldbank 8¾-83	109.65

Units of Account DM Basis

Comm. Orb 8-88	128	—
C.C.A 8-85	126	—
Cred Nat. 8-86	128	—
Denmark 8-86	126	—
E.S.B. (Irl.) 8¼-86	126	—
Escom 8½-88	121	—
Manitoba 7-89	125	—
Nancy 8-86	126	—
Norges 7½-86	128	—
Reed 6¾-83	123	—
S.D.R. 8-86	126	—
Apel 8½-85	103¾	Bid
Cofiroute 9-89	103¾	104¾
Cop City 8¾-86	105¾	106¾
Cop City 9¼-86	107½	108½
Cop City 10-79	105¼	—
C.G.A 8¾-85	107½	108½
Cop Tel. 9¼-85	107½	—
Esso 8¼-84	107	108
Funen Tel. 9-84	105¾	106¾
G.I.S 8¾-83	106	Bid
Helsinki 10-83	107½	—
Iceland 8¼-88	103	104
Iceland 9¼-86	107¾	108½
Iceland 10-84	108½	—
Imatran 8½-87	103¾	104¾
Imatran 9½-85	108½	109½
Ind M. Bk F 9½-83	106	107
Ireland 9½-82	105¾	106¾
Ireland 9¾-84	106	107
Manitoba 9¼-85	108¾	109¾
Oslo 8½-92	103¼	104¼
Oslo 9¼-85	106	107
Oslo 10-81	107½	—
Pechiney 8¾-89	102	103
S.D.R 8½-87	106¼	107¼
S.D.R. 9½-85	106½	107½
St Oil Ind 8-82	101¼	102¼
Swed. State 9½-85	107¾	108¾

International Bonds

(A weekly list of non-dollar-denominated issues.)

European Currency Units*

S. Africa 8-85	95½	97½
CECA 8-85	100	101
E N E L 7¼-86	97½	98½
Eurofima 7¾-81	101	—
Interfrigo 7½-86	101	—

* For trading in DM.

French Francs

BASF 7½-87	79½	80½
CNA 9¾-87	95¾	96¾
CECA 10½-82	100	101
Charbonnages 10¼-82	100	101
Cim. Lafarge 7½-87	76¼	77¼
Créd. Fonc. 10¼-82	100¼	101¼
EIB 7½-88	77½	78½
Paribas 10¼-82	99¾	100¾
Peugeot 10-83	95½	[illegible]
Québec Prov. 7½-87	75¾	76¾
Rhone-Poulenc 10½-80	99¼	100¼
St Gobain 10-80	97¾	98¾
Ug. Kuhlmann 8-78	98¼	99¼
World Bank 7½-87	78¾	79¾

Guilders

ABN 9½-79	103	103¾
AMRO 9½-79	103	103¾
Arbed 6¾-80	97	97¾
BP 6-79	98	98¾
Cons Foods 6½-80	98½	99¼
Eurofima 5½-79	97¼	98
EIB 9½-79	102½	103¼
Govett 6½-79	98¼	99
Holl Inn	98½	99¼
KLM 8-79	97¾	98½
Ned. Gas Un. 9½-79	104	104¾
Philips 6-79	98	98¾
Sperry 6½-79	98½	99¼
St Brands 6½-79	98¾	99½

Luxembourg Francs

Asian Bank 6¾-87	93½	95½
EIB 7-88	95¾	96¾
Burmah 7-86	88	90

Cons. Eur 7-87	91½	93½
Denmark 6¾-87	87½	89½
Gr Met Hot. 6¾-87	88	90
Finland 7-87	89	91
ISE 6½-87	88	90
Reed	87½	89½
Slater 7¼-87	73	—

Canadian Dollars

Canpac 9¼-83	100¾	100¾
Ford 9¼-83	109¾	100¾
GMAC 9¼-83	101	101½

Hudson Bay 10¼-81	103¾	104½
Manitoba 9½-85	100¾	101¾
Royal Canada 9½-88	102¾	102¾
Roynat 9½-80	100¾	100¾
Texasgulf 10-86	104	104½
Toronto Dominion 9-82	100¾	100¾
Union Carbide 9¾-86	102¾	103¾

Kredietbank Indices

(Base 100 5-1-1977)

	12.10.77	26.10.77
UC 17	107.83	112.05
UC 9	104.10	104.71
DM	103.08	102.69
FF	105.13	105.62
F Lux	102.40	102.43

Consolidated Trading Of NYSE Listings

Week Ended Oct. 28, 1977

	Sales	High	Low	Last	Chge
Citicorp	1,961,500	22⅞	20¾	22¾	+ ⅞
GenMotors	1,613,900	70⅛	66¾	67½	—2½
Ramos Rat	983,800	25⅝	21½	22⅞	—3¾
Dow Chem	907,800	29	26	28⅞	+2⅝
Vetco Inc	863,500	24	19½	23¾	+1¾
Am TT	834,700	59⅝	58⅞	59⅛	— ⅛
Sears RB	783,500	29⅞	27½	29⅝	+ ¾
US Steel	753,900	31	28¾	30⅝	+1⅞
East Kodak	726,100	54½	52½	55⅞	+ ⅞
Rorer Gp	703,900	26½	24¾	15⅝	— ⅞
Weyerhsr	672,600	26⅞	25⅛	25⅝	— ½
NCR Corp	664,100	42⅞	39	42	+2½
Cont Oil	627,300	29⅞	27⅞	29⅞	—1⅛
Tex Util	622,500	20¾	19⅞	20	— ¾
Texaco Inc	620,400	27⅝	26½	27⅝	+ ¼
Ford Mot	618,700	45⅞	42¾	43⅞	—1¼
Exxon	595,000	47	45⅞	47	+ ⅛
Digital E	588,400	46¼	43½	45⅞	+1⅞
IBM	565,800	261¾	255¾	258⅞	+ ⅞
Xerox Cp	562,700	51	48¼	49⅞	+ ⅞

Issues traded in: 2,091.

Advances: 902; declines: 890; unchanged: 299.

New highs: 21; new lows: 237.

Volume

This week	107,065,570 shares
Last week	95,167,250 shares
1976 same week	76,537,020 shares
1977 to date	4,310,663,898 shares
1976 to date	4,444,500,198 shares
1975 to date	4,025,617,527 shares

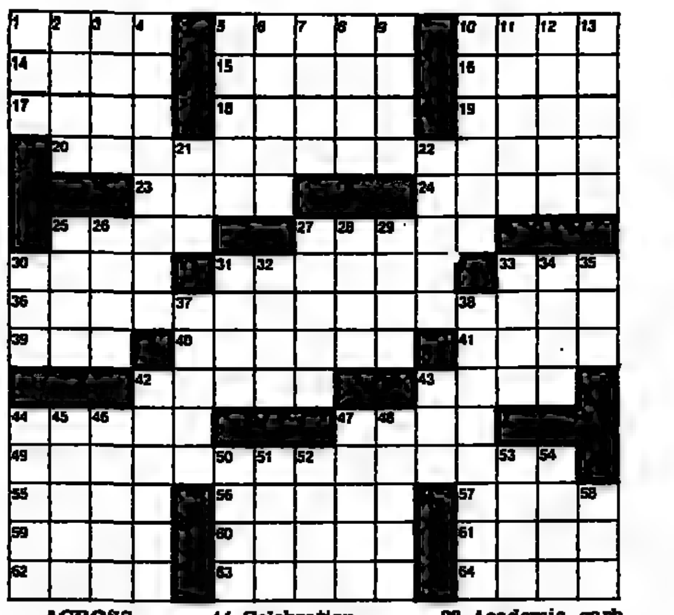
Currency Rates

By reading across this table of Friday's closing inter-bank foreign exchange rates, one can find the value of the major currencies in the national currencies of each of the following financial centers. These rates do not take into account bank service charges.

	$	£	DM	FF	L. It.	Gldr	BF com	Swiss F.	Dan.Kr.
Amsterdam	2.4285	4.3150	107.23*	50.10*	27.60y	—	6.8820*	108.61*	39.715*
Brussels (c)	35.28	62.73	15.39	7.283	4.0115*	4.535	—	15.7475	5.7725
Frankfurt	2.2624	4.0305	—	46.70*	2.571x	93.23*	6.420*	101.05*	36.97*
London (z)	1.77715	—	4.0215	8.6875	1554.00	4.090	62.595	3.9786	10.86375
Milan	880.20	1563.60	388.61	181.49	—	362.47	24.95	392.48	143.90
Paris	4.84375	8.6185	214.200*	—	5.5100x	199.850*	13.7500*	216.210*	79.290*
Zurich	2.2390	3.8959	98.895*	46.20*	0.25405y	92.28*	6.34375*	—	38.575*

The following are dollar values as given in London: Danish krone: 6.11675; Escudo: 40.75; Israeli £: 10.37; Peseta: 83.59; Schilling: 16.145. Sw krona: 4.79475, Yen 250.425; Norw. krone: 5.47375, Fin. mark: 4.1650; Belgian financial franc: 35.25; Hong Kong $: 4.6980; Singapore $: 2.38925; 1 Canadian dollar: 0.90805 U.S. cents

(c) Commercial franc (*) Units of 100. (x) Units of 1,000 (y) Units of 10,000. (z) Amounts needed to buy one pound



ACROSS

1 Ericson
5 Like March days
10 Dippy or dotty
14 Pakistani language
15 One of the media
16 Color of the eight ball
17 Contends
18 "— My Souvenirs"
19 Three-six follower
20 Genesis phrase (2:8)
23 Fleming et al.
24 Queen of King's game
25 Warning
27 Have a yen for
30 Berlin-Rome —
31 Oil from orange trees
33 School for would-be lits
36 Genesis phrase (1:3)
39 Pismire
40 Emulates Isocrates
41 Soft French cheese
42 Part of a Stein line
43 Army car
44 Celebration, Italian style
47 River near Trier
49 Genesis phrase (1:1)
55 Ice formation
56 Actress Terry
57 Epoch upon epoch
59 Deserve
60 Unisonally
61 Pact acronym
62 Parts of hoops
63 Polish anew
64 Put away

DOWN

1 Schisgal play
2 N.Y. county
3 Seed for a plot
4 Most finicky
5 Muscle
6 Actor Fernando
7 Repute
8 Sirocco, e.g.
9 Ascetic of the East
10 Swiss city, to the French
11 Start of Lyte's notable hymn
12 His goose is cooked
13 In reference to
21 Thrash
22 Author Shute
25 Bullocks
26 Baseball item
27 El Greco's homeland
28 Academic garb
29 English county festivals
30 — carte
31 Stout detective, — Wolfe
32 Alexandrian and Augustan
33 Menace in old tales
34 A Carter
35 Marie or Jeanne: Abbr.
37 Book of Hours
38 Reputed ancestors of Basques
42 Timon's home
43 Peerce
44 "Spirit of '76" figure
45 Chou —
46 Something often kicked up
47 Where Duccio painted
48 Wing
50 Policeman, in C.B. lingo
51 "O earth! What —?": Hamlet
52 Incandescence
53 Without water or club soda
54 — seed (overripen)
58 "— hear this!"

WEATHER

	C	F	
ALGARVE	20	68	Clear
AMSTERDAM	—	—	Unavailable
ANKARA	—	—	Unavailable
ATHENS	21	70	Clear
BEYRUT	24	75	Variable
BELGRADE	13	55	Cloudy
BERLIN	12	54	Cloudy
BRUSSELS	12	54	Overcast
BUCHAREST	17	63	Cloudy
BUDAPEST	15	59	Cloudy
CASABLANCA	—	—	Unavailable
COPENHAGEN	15	59	Cloudy
COSTA DEL SOL	20	68	Clear
DUBLIN	15	59	Rain
EDINBURGH	12	53	Rain
FLORENCE	18	64	Cloudy
FRANKFURT	9	48	Variable
GENEVA	11	52	Variable
HELSINKI	8	46	Variable
ISTANBUL	15	59	Clear
LAS PALMAS	23	73	Clear
LISBON	19	66	Clear
LONDON	15	59	Variable
LOS ANGELES	15	59	Variable
MADRID	17	63	Clear
MIAMI	23	73	Variable
MILAN	15	59	Cloudy
MONTREAL	9	48	Clear
MOSCOW	4	39	Showers
MUNICH	8	46	Cloudy
NEW YORK	12	54	Clear
NICE	20	68	Clear
OSLO	11	52	Overcast
PARIS	14	57	Overcast
PRAGUE	9	48	Rain
ROME	20	68	Variable
SOFIA	—	—	Unavailable
STOCKHOLM	11	52	Cloudy
TEHRAN	16	62	Cloudy
TEL AVIV	25	77	Clear
TUNIS	27	81	Clear
VIENNA	9	48	Cloudy
WARSAW	—	—	Unavailable
WASHINGTON	15	59	Clear
ZURICH	13	55	Cloudy

Mutual Funds

Closing Prices, Oct. 28, 1977

NEW YORK (AP) —The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net asset (value plus sales charge) Friday.

	Bid	Ask
AGEFd	5.55	5.66
AcornF	14.92	NL
AdvInv	9.37	NL
AetnaFd	7.09	7.75
AetnaSh	12.97	14.17
Afuture	9.08	NL
Allstate	8.33	NL
AlphaF	10.97	NL
ABirthT	9.57	10.46
AEqtFd	4.70	5.14
American Funds:		
Balan	7.90	8.63
Amcp	5.73	6.26
Mutl	9.00	9.84
Bond	14.85	16.23
Capit	6.43	7.03
Grwth	4.92	5.38
Incom	15.40	16.83
ICA	13.15	14.37
NPers	14.96	16.35
WshMt	6.22	6.80
Amer General:		
CapBd	8.94	9.77
CapGth	3.78	4.13
IncFd	6.34	6.93
Ventr	12.28	13.42
EqtGth	6.34	6.93
FdAm	6.19	6.77
Provid	3.84	4.14
AGthFd	5.52	5.95
AInsInd F	5.06	5.53
AInvest	5.24	NL
AInvInc	11.94	NL
ANtGth	2.89	3.16
[illegible]	[illegible]	[illegible]

	Bid	Ask
Spl Inc	7.18	NL
TEm	15.91	NL
Thrd C	12.30	NL
Eagle Gr	10.25	11.20
Eaton&Howard:		
Balan	7.77	8.38
Fours	7.59	NL
Grwth	8.63	9.33
Incom	6.02	6.49
Specl	6.21	6.70
Stock	8.44	9.10
EDIE Sp	16.67	NL
EdsonG	8.58	NL
Egret F	9.94	10.80
Elfun Tr	13.81	
Fairfld	8.79	9.55
Federated Funds:		
Am Ldr	7.61	7.73
Empir	18.10	
Four E	17.12	
Optn	13.34	14.58
Fidelity Group:		
Bond	8.73	NL
Capit	7.84	8.57
Contfd	9.58	NL
Daily I	1.00	NL
Dstny	7.73	
Eq Inc	14.89	NL
Magel	22.44	
Mun Bd	10.57	NL
Fidel	15.01	16.40
Puritn	10.05	10.95
Salem	4.62	5.05
Thrift	10.31	NL
Trend	20.08	21.95
Financial Prog:		
Dyna	4.66	NL
Indust	4.02	NL
Incom	7.19	NL
Fst Investors:		
Disco	5.09	5.56
[illegible]	[illegible]	[illegible]

	Bid	Ask
Keystone Funds:		
Apollo	3.73	4.08
Cus B1	17.88	18.68
Cus B2	19.45	21.26
Cus B4	8.38	9.16
Cus K1	7.46	8.15
Cus K2	4.86	5.31
Cus S1	16.34	17.86
Cus S3	7.16	7.82
Cus S4	3.61	3.94
Lexington Grp:		
Cp Ldr	12.55	13.82
Le Gr	8.89	9.72
Le In	10.48	11.45
Le R	14.11	15.42
Lfe Ins	7.63	8.34
Lincoln Natl:		
Sel Am	6.84	NL
Sel Spl	12.02	NL
Loomis Sayles:		
Capit	9.99	NL
Mut	12.35	NL
Lord Abbett:		
Affiltd	7.33	7.91
Bnd db	11.08	12.11
Incom	3.45	3.72
Lutheran Bro:		
Fund	9.89	10.81
Incom	9.22	10.08
Muni	10.35	11.31
US Gov	9.73	10.3
Massachusett Co:		
Freed	7.59	8.30
Indep	7.12	7.78
Mass	10.27	11.17
Mass Financl:		
MIT	9.26	9.98
MIG	8.08	8.71
MID	14.14	15.25
MFD	11.79	12.71
MCD	13.31	14.35
[illegible]	[illegible]	[illegible]

	Bid	Ask
Putnam Funds:		
Conv	10.86	11.87
Equit	9.84	10.75
Georg	12.51	13.67
Grwth	10.15	11.09
Incom	7.96	8.70
Invest	7.24	7.91
Optn	13.34	14.58
TEI	24.46	25.68
Vista	9.75	10.66
Voyag	10.68	11.67
Rainbw	1.91	NL
Revere	5.12	NL
Safec Eqt	8.40	9.18
Safec Gth	9.04	9.88
StPCap	7.40	8.09
StPGwt	7.17	7.84
Scudder Stevens:		
Com St	9.07	NL
Incom	14.63	NL
Intl Fd	12.89	NL
Man R	10.00	NL
MMG	10.42	NL
Specl	23.17	NL
Security Funds:		
Bond	10.15	10.44
Equty	3.74	4.09
Invest	7.37	8.05
Ultra	9.72	10.62
Sentinel Funds:		
Grwth	7.84	8.52
Trust	9.78	10.63
Sentinel Group:		
Apex	3.35	3.66
Balan	7.64	8.35
Com S	11.47	12.54
Sentry F	11.98	13.02
Shareholders Gp:		
Cmstk	6.03	6.59
Entrp	4.85	5.30
Fiet Fd	5.44	
Harbr	8.36	9.14
Legal	6.21	6.79
Pace	10.87	11.88
Shearson Funds:		
Appre	15.84	17.31
[illegible]	[illegible]	[illegible]

P E A N U T S

B. C.

B L O N D I E

B E E T L E - B A I L E Y

A N D Y C A P P

W I Z A R D of I D

R E X M O R G A N M. D.

R I P K I R B Y

A NEW STORY GIVES LESTER LAMONT A LEAP.

JUMBLE THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

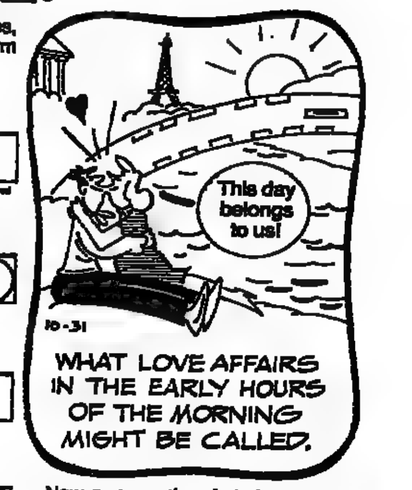
Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

MYMUG

ROPEA

DURSTY

TECKOP



Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: "[ ][ ]-[ ][ ][ ][ ]"

(Answers tomorrow)

Saturday's Jumbles: PIVOT SHEEP BALLET DIGEST
Answer: Where people often go by accident— THE HOSPITAL

DENNIS THE MENACE

"I'M THE ONE WHO'S S'POSED TO SAY 'TRICK OR TREAT', MR. WILSON!"

"HEY! WHO SLIPPED US THIS ONION?"

BOOKS

THE DIARIES OF EVELYN WAUGH

Edited by Michael Davie. Little Brown. 818 pp. $17.

Reviewed by Robert Kirsch

IN that chummy little world of Oxford and Cambridge students, interlocking family grids of publishing, church, the army, old boy networks, which flourished between the wars and is not yet quite dead, such a writer as Evelyn Waugh could be and was pumped up to an importance his slight work never really deserved.

At his best, Waugh evoked that world, satirized it, and indeed as "The Diaries of Evelyn Waugh" edited by Michael Davie indicate, was one of the appalling, malicious, toxic characters who inhabited it. If you wish to experience the occasional cleverness ("All fates are 'worse than death'," or, "We are all American at puberty; we die French") and are willing to pay the price of a tedious maliciousness, constant drinking, hangovers and occasional indigestion, an offensive anti-Americanism, and anti-Semitism, a smug ignorance of almost everything outside his own circles, then this is your book.

With the success of his novel "Vile Bodies" and his job as a columnist on the Daily Mail (his natural level for all Graham Greene's proclaiming him "the greatest novelist of my generation"), he entered the new and fashionable social circles, the Mitfords, the Guinesses, Diana Cooper. There is a period of name-dropping.

His war experiences are mildly interesting and his obvious notes for later writing (Peter Beatty: "He has three habitual gestures: one to press his upper teeth with his thumbs as though they were false and loose; one to r[...] hands together as though [...] were freezing; the other to [...] an imaginary beard") are [...] to academic critics.

Waugh is bearable when [...] able to apply the same [...] standards to himself as he [...] to others. This is rare [...] His irascibility, his barb[...] cruelty, almost always are [...]ed for others, and ofte[n] defenseless: *Churchill's* [...] Winston is called "a [...] boy with a head too big f[or his] body." A target too trifl[ing for] such a big gun as Waugh [...] might think. But this [...] put down others, gratuito[us,] insistent enough to be calle[d...] At least Waugh was aware [...] impulses. He speaks of [...] "vent to peevish and otiose [com]plaints about modern time[s...] escape testiness—that is [...] am going to Ireland."

Of course, it and all his [...] traits went along with him [...] 1946: "We traveled in [...] dirty, ill-lit carriages to Liv[erpool] and boarded the boat [...] there was a tang of [...] in the air and ample pro[...] in the dining room. The [...] St. George's Channel perso[...] colonels' wives covered wit[h...]mental badges, priests, dr[...] commercial travelers. Thi[...] a number of Jews, prest[...] tax evaders."

His anti-Semitism is one [...]tion of a host of stupid [preju]dices, which Waugh main[tained] unexamined as an armor a[gainst] the humanistic, sentimental [com]passionate qualities he saw [...] opposite of his own misant[hropic] rigidities. His father was [a pro]lific writer, remembered [as a] pleasant, sociable and ge[ntle] man. His own distast[e for] Freudian explanations [...] explain why he turned o[ut his] father's opposite. The [...] may form his own eval[uation.] That sort of case study [...] engage some readers and [...] them over the many dreary [...]

Robert Kirsch is a boo[k re]viewer for the Los A[ngeles] Times.

© Los Angeles Times.

Solution to Previous Puzzle

CHESS

By Robert [...]

NEW YORK (NYT).—The question that arises again and again in a wide variety of positions is whether it is worth the loss of a tempo to acquire the bishop pair.

A sliding scale of values is involved. In close positions, the loss of a tempo may not mean much, but then again, having the two bishops for the opponent's bishop and knight in such a position may not mean much, either.

On the other hand, the power of a pair of bishops in a semi-open position is undeniable, but the tempo spent in gaining them may grant the opponent an enduring initiative.

It was this second case that produced the central conflict in my game with John Fedorowicz, national junior champion, in the 11th round of the recent United States Championship Tournament in Mentor, Ohio.

His 6... Q-N3 was an old move, recently attracting sporadic attention, that pretty much forced the white KN away from its central post, although the black queen—impeding a later advance of the QNP—was not well posted at QN3.

The most favored white continuation would have been 11 Q-K2, Q-B2; 12 P-B4, but I experimented with the immediate 11 P-B4, allowing Fedorowicz to gain the bishop pair by 11... P-R3; 12 BxN (not 12 B-R4, NxP!; 13 NxN, BxB; 14 NxP, N-N5, which gives Black an easy, problem-free game), BxB.

With 13 Q-R5, I intended to use my lead in development and the slight weakening of the black king position by 11... P-R3 to create a mating attack. It was not obvious what the best defensive set-up might have been; had Fedorowicz tried 13... N-N3; 14 P-K5, PxP; 15 PxP, NxB; 16 PxN, B-K2, I would have had considerable attacking chances with 17 R-B3, B-Q2; 18 R-N3, K-R2; 19 R-KB1, B-K1; 20 Q-N4, followed by 21 N-K4.

His 13... Q-B2 made sure that I could not achieve an early P-K5; even after 16... N-K2, I would only have ruined my position with 17 P-K5?, PxP; 18 PxP, B-N4, after which 19 R-N3? would have allowed 19... [...]

Later, his 19... N-N1 doom[ed the] plan of N-K3, N-N4 and N[...]

On 22 P-K5, Fedorowicz [could] not capture 22... BxN? be[cause] 23 PxB(6)! would have w[on a] piece—23... BxQ; 24 PxPm[ate].

After 22... PxKP; 23 NxP [the] threat was 24 N-N6ch!, Px[N;] QxP, forcing mate.

However, his defense 23... [...] was quite correct, for none [of the] sacrifices works. After 24 [...] he might have played 24... [...] 25 RPxP, BxN; 26 PxB, QxK[...] though 27 QxQNP would [have] maintained a slight initiativ[e for] White. His safest defense [would] have been 24... B-R3; 25 [...] B4, QBxN; 26 NxB.

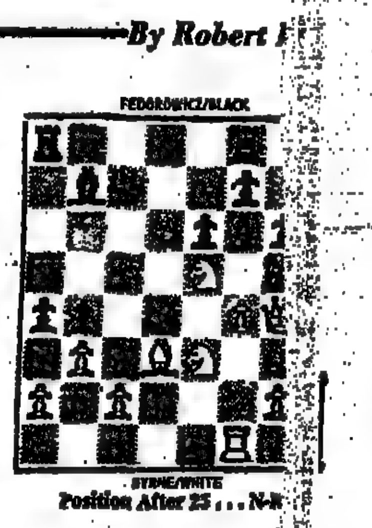
But he had become compl[acent] about the security of his kin[g and] committed a decisive error [with] 24... P-R4? After 25 R-R3!, [there] was suddenly nothing to be [done] about the terrible threat [of] RxPch...

Fedorowicz's 25... N-R3 [was] smashed by my rook sacrifi[ce 26] RxP!, PxR; 27 QxRP, after [which] the defense 27... B-N2; 28 [N(3)-]N4, B-R3 would have coll[apsed] under 29 NxN, BxB; 30 [...] PxP; 31 PxP, R-R6; 32 N(5)[...] RxN; 33 NxRch, K-N1; 34 [...]

After 27... K-N2; 28 N(3)[-N4] the only defense, 28... R-R1, [lost] a bishop to 29 NxB because [...] KxN? would have permitte[d] Q-N5mate.

Fedorowicz resigned on 3[0 N-]R7ch because he would have [been] forced to return the exch[ange] with 30... RxN; 31 BxR [...] hopeless position.

FEDOROWICZ/BLACK



BYRNE/WHITE

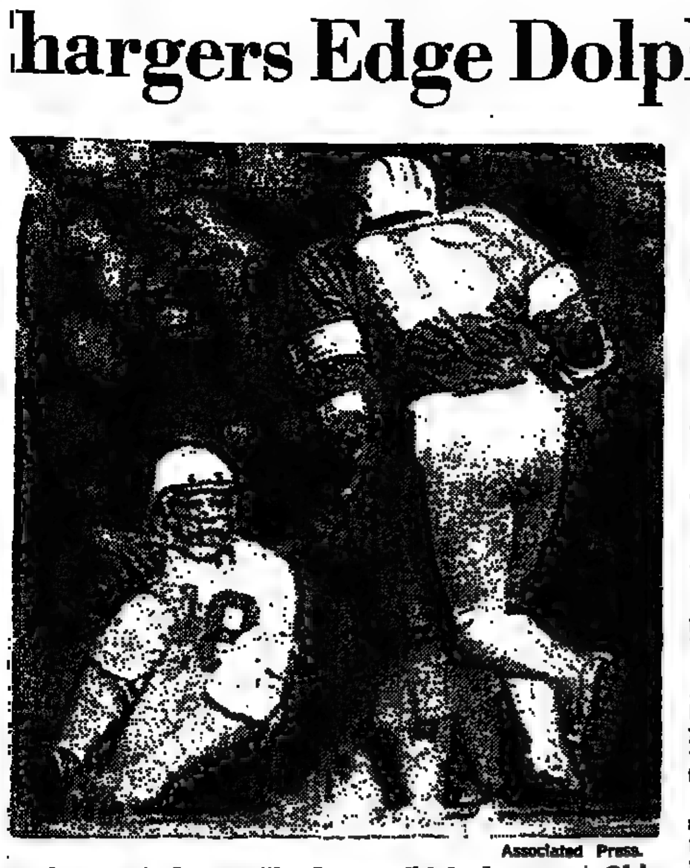
Position After 25 ... N-R[3]

SICILIAN DEFENSE

	White Byrne	Black Fedorowicz
1	P-K4	P-QB4
2	N-KB3	P-Q3
3	P-Q4	PxP
4	NxP	N-KB3
5	N-QB3	N-B3
6	B-KN5	Q-N3
7	N-N3	P-K3
8	B-Q3	B-K2
9	O-O	O-O
10	K-R1	P-QR3
11	P-B4	P-R3
12	BxN	BxB
13	Q-R5	Q-B2
14	QR-K1	P-QN4
15	R-K3	P-N5
16	N-Q1	N-K2
17	R-N3	K-R1
18	N-Q2	B-N2
19	N-KB3	N-N1
20	P-N3	P-R4
21	N-K3	P-R5
22	P-K5	PxKP
23	NxP	P-N3
24	Q-N4	P-R4
25	R-R3	N-R3
26	RxP	PxR.
27	QxRP	K-N2
28	N(3)-N4	R-R1
29	NxB	K-B1
30	N-R7ch	Resigns

"Registered as a newspaper at the Post Office"
"Printed in Great Britain"

Chargers Edge Dolphins With TD in Final Seconds



Associated Press.

onsin quarterback Mike Kalasmiki looks up at Ohio defensive end Paul Ross, who has just sacked him.

...e Jones Boys Lead Texas ... 26-0 Rout of Texas Tech

...W YORK, Oct. 30 (UPI).—...anked Texas found a new ...f heroes yesterday in the ... boys—Johnny (Ham) and ...y (Lam)— who scored all ... touchdowns in the Long... 26-0 victory over Texas

...s' leaders usually are full... Earl Campbell and kicker ...l Erxleben. And while ... two made significant con...ions—Campbell gaining 116 and Erxleben kicking field ... of 60 and 35 yards—it was ...nes boys who did the most ...e.

...nny (Lam) used his ...lo - gold - medal speed to ... a 57-yard TD pass from ...y McEachern in the first ...er and Johnny (Ham) scor... runs of 3 and 11 yards in ...econd half to decide the ...

... stingy Texas defense also ...omething to say about the ...orns' first defense of their ... ranking. ...even games this season, the ...ten Longhorns have allow...ly four touchdowns—all ...h the air. Yesterday's ...t was the third of the year ...xas, which went into the ... allowing only 7.3 points a ...t.

400-Meter Relay

... game's key play, the 57-...TD pass to Johnny (Lam), ...nber of the winning U.S. ...ter relay team at the ...al Olympics, gave Texas a ...d on its second possession. ... victory kept Texas tied ...Texas AM atop the South... Conference with a 4-0 mark ... Tech fell to 5-2 and 2-2 ... conference.

...lahoma 42, Kansas St. 7

...arterback Thomas Lott rush... 96 yards and three TDs in ...ly more than a half of ...oma's 42-7 victory over ...s State. Kenny King, who ...or 99 yards before leaving ...ame with Lott with 12 ...es left in the third quarter, ... the game's first TD on a ...rd run.

...io State 42, Wisconsin 0

...arterback Rod Gerald threw ...yard touchdown pass to Jim ...ell on the game's second ... to start Ohio State's easy triumph over Wisconsin. ...ld also scored on a 1-yard ...ge and fullback Jeff Logan ...d a 39-yard TD run.

Notre Dame 43, Navy 10

... Montana gained a career-... 260 yards passing to high... Notre Dame's 43-10 victory ... Navy. Jerome Heavens, who gained 100 yards on 17 carries, ran 49 yards for Notre Dame's first score and freshman Jim Stone scampered 58 yards for the Irish's fourth TD.

Michigan 23, Iowa 6

Junior quarterback Rick Leach threw touchdown passes of 63, 6 and 32 yards to become the all-time Michigan leader in career TD passes with 25 and lead the Wolverines past Iowa, 23-6. Leach's 63-yarder went to fullback Russell Davis on the game's third play.

Arkansas 30, Rice 7

Michael Forrest scored TDs on runs of 23 and 2 yards, Dennis Cowins added a 2-yard scoring run and Steve Little kicked field goals of 52, 44 and 29 yards to lead Arkansas over Rice.

Penn St. 49, Miami (Fla.) 7

Matt Suhey scored on runs of 1, 5 and 1 yard during a 28-point second-quarter that lifted Penn State over Miami of Florida, 49-7. Bob Torrey had a 3-yard TD run for the other Penn State score in the period. Chuck Fusina tossed a 56-yard screen pass to Ed Guthrie for the Nittany Lions' first TD in the first quarter.

Texas AM 38, SMU 21

Quarterback David Walker passed for two touchdowns and ran for another, but it took a fourth-quarter fumble recovery by tight end Russell Mikeska in the end zone to get Texas AM past SMU, 38-21. Mikeska recovered Walker's fumble to break a 21-21 tie. Tony Franklin kicked a 54-yard field goal with three minutes to play and Mike Mosley ran 12 yards for a TD on the final play of the game for the Aggies.

Nebraska 31, Oklahoma St. 14

I.M. Hipp ran for touchdowns of 10 and 1 yards to key Nebraska's 31-14 triumph over Oklahoma State, but was held to 71 yards rushing. The sophomore walk-on from Chapin, S.C., was averaging 139.9 yards a game. Oklahoma State's Terry Miller also had a below-average game, gaining 116 yards on 28 carries, his lowest output of the year.

Alabama 37, Mississippi St. 7

Tony Nathan raced 59 yards for one touchdown and set up another TD with a 23-yard scamper as the Tide had little trouble with SEC opponent Mississippi State, 37-7. Nathan, a junior halfback, had 115 yards on seven first-half carries, but sat down in the second half as Alabama coach Bear Bryant used 60 players in the rout.

Quarterback Scores on End Run

MIAMI, Oct. 30 (UPI).—Quarterback James Harris swept five yards around his right end for a touchdown with two seconds left today to give the San Diego chargers a 14-13 victory over the Miami Dolphins.

Harris blasted through two Miami defenders at the goal line for the winning touchdown, which was set up when Benny Malone fumbled on the Miami 28 with 1:48 to go. Charger tackle Gary Johnson recovered the ball.

The Chargers moved to the Miami five on Harris passes of 7 yards to Dwight McDonald to the 10 and 5 yards to Joe Washington. Harris then threw three incompletions before deciding to take the ball in himself.

Veteran Dolphin fullback Norm Bulaich had given Miami a 13-7 lead with less than 10 minutes to play by capping a 69-yard march with a 3-yard scoring burst over the middle.

The Chargers took the kickoff and moved to the Miami 22, but that drive was blunted when cornerback Norris Thomas intercepted a Harris pass in the end zone.

Malone fumbled the ball back on the next possession, setting up Harris's score.

The Dolphins took a 6-0 first-quarter lead on field goals of 32 and 45 yards by Garo Yepremian.

San Diego grabbed back the lead before the end of the half on a 2-yard TD pass from Harris to tight end Bob Klein.

The victory improved the Chargers' record to 4-3 and dropped the Dolphins to 5-2.

Vikings 14, Falcons 7

At Atlanta, Fran Tarkenton threw a pair of touchdown passes, the second set up by Chuck Foreman's 51-yard run, to lift Minnesota, plagued all game by interceptions and fumbles, to a 14-7 victory over Atlanta.

Tarkenton's first TD strike was a 54-yard pass to Sammy White which enabled the Vikings to tie the score with 9:50 left in the second period. The play came just 21 seconds after the Falcons had scored on a similar bomb, a 49-yard pass from Scott Hunter to Greg McCrary.

The Falcons missed two field goal attempts—one from 37 yards out and the other from 44—and the Vikings missed one of 27 yards before Foreman burst up the middle to race 51 yards to the Atlanta one with a little more than nine minutes left.

Two running attempts failed and an apparent 1-yard TD pass from Tarkenton to Stu Voight was nullified by a motion penalty. But Tarkenton came back on the next play to throw a 6-yard TD pass to Bob Tucker with 8:14 left in the game.

Steve Bartkowski, slated to be the Falcons' No. 1 quarterback before injuring his knee in preseason, made his first regular season appearance with 3:20 left and quickly drove Atlanta from its own 38 to the Minnesota 35. But Bobby Bryant intercepted one of his passes, returning it 40 yards, and the Vikings moved to the Atlanta three on a 25-yard pass from Tarkenton to White.

The Vikings then ran out the clock.

Tarkenton, believed to be making his last playing appearance in the state where he also played his high school and college football, completed 18-of-28 passes for 237 yards and two touchdowns but was intercepted three times.

Patriots 24, Jets 13

At Foxboro, Mass., Steve Grogan tossed three touchdown passes, including a 52-yarder to rookie Stanley Morgan, to spark New England to its fourth straight victory, 24-13, over the New York Jets.

Grogan, who has 13 TD passes halfway through the season, also threw scoring tosses of 11 yards to Darryl Stingley and 4 yards to rookie Don Hasselbeck. John Smith added a 30-yard field goal.

The Jets, who played New England to a 10-10 tie in the first half, scored on a 30-yard pass from Richard Todd to Jerome Barkum and field goals of 36 and 21 yards by Pat Leahy.

Grogan completed 16-of-23 passes for 228 yards, while Stingley, who had 116 yards in receptions last week, caught eight passes for 121 yards.

The Patriots, after a 1-2 start, are 5-2. The Jets, 30-27 victors over the Patriots four weeks ago, now have lost three straight to fall to 2-5.

Bengals 13, Oilers 10

At Cincinnati, Chris Bahr kicked a 22-yard field goal 5:51 into overtime to give Cincinnati a 13-10 victory over Houston.

Cincinnati had grabbed a 10-0 lead become a 10-10 tie in the fourth quarter, took the overtime kickoff and marched 58 yards in 10 plays to the Houston four-yard line to set up Bahr's winning field goal.

The outcome left both AFC Central Division teams with 3-4 records as the Bengals snapped a two-game losing streak and the Oilers lost their third straight.

Cincinnati had grabbde a 10-0 lead on Willie Shelby's recovery of a blocked punt in the Houston end zone in the second period and a 23-yard field goal by Bahr in the third quarter.

But injured Dan Pastorini came off the bench in the fourth quarter to finally awaken the Houston offense, directing a drive that resulted in a 32-yard Toni Fritsch field goal with 7:52 remaining. He then threw a 3-yard TD pass to Ronnie Coleman with just 27 seconds left to tie the game at 10-10.

Houston's comeback was in vain, however, as the Oilers never got the ball in the overtime period. Cincinnati quarterback Ken Anderson, who came off the bench in the third quarter, guided the Bengals from their own 37 to the Houston four to set up the winning field goal.

Redskins 23, Eagles 17

At Washington, Joe Theismann, starting at quarterback because Washington coach George Allen wanted to shape up his offense, threw two early touchdown passes and Mark Moseley kicked three field goals to give the Redskins a 23-17 victory over Philadelphia.

Theismann, replacing 38-year-old Billy Kilmer, hit tight end Jean Fugett with a pair of 15-yard TD passes on the Redskins' first two possessions. Moseley kicked field goals of 46 and 30 yards as Washington took a 20-10 halftime lead. Moseley added his third, a 51-yarder, in the third quarter.

The Eagles got their points on a 16-yard run by James Betterson, a 44-yard field goal by Horst Muhlmann and a 48-yard pass from Ron Jaworski to Harold Carmichael that cut the Washington lead to 23-17 with 11:57 remaining.

Jaworski, playing with a heavy bandage on the right thumb he fractured last week, twice drove the Eagles to the Redskins 20 in the game's final moments. One drive was stopped by Washington cornerback Gerard Williams's interception and on the second, Brad Dusek knocked away a fourth down pass with 41 seconds left.

Theismann completed 16 of 34 passes for 218 yards, while Jaworski hit only 9 of 27 for 190 yards.

Browns 44, Chiefs 7

At Cleveland, Greg Pruitt ran for 153 yards, including a 78-yard touchdown sprint, and Gary Parris caught two touchdown passes to guide Cleveland to a 44-7 rout over Kansas City.

The Browns' offense ran up 34 first downs, breaking a 23-year-old club record, and helped Cleveland raise its record to 5-2.

The Browns got 31 points following interceptions and fumble recoveries as the Chiefs suffered their worst defeat of the season to drop to 1-6.

Cleveland went up 13-0 in the first quarter on Brian Sipe's touchdown pass to Parris and two field goals by Don Cockroft, two scores that were set up when Mike St. Clair and Joe Jones recovered fumbles.

Cockroft hit another field goal and then Thom Darden scored on a 19-yard interception runback, his fourth pickoff of the season. Mike Pruitt made it 30-0 at the half with a 1-yard plunge following a Clarence Scott interception.

John Brockington scored the only Kansas City points on a 22-yard pass from Mike Livingston with just 1:19 to play.

College Football Scores

East

Army 48, Holy Cross 7.
Brown 20, Harvard 15.
Colgate 45, Boston U. 22.
Dartmouth 14, Columbia 7.
Penn St. 49, Miami (Fla.) 7.
Penn 21, Princeton 10.
Pittsburgh 48, Tulane 0.
Syracuse 6, Virginia 3.
Villanova 41, West Virginia 28.
Yale 28, Cornell 0.

South

Alabama 37, Miss. St. 7.
Clemson 26, Wake Forest 0.
Duke 25, Georgia Tech 24.
Georgia 23, Richmond 7.
Kentucky 33, Virginia Tech 0
LSU 38, Mississippi 21.
N.C. St. 7, South Carolina 3.
North Carolina 16, Maryland 7.
Rutgers 22, Wm. and Mary 21.

Midwest

Indiana 34, Minnesota 22.
Iowa St. 41, Kansas 3.
Miami (Ohio) 27, Toledo 3
Michigan 23, Iowa 6.
Michigan St. 49, Illinois 20.
Notre Dame 43, Navy 10.
Ohio St. 34, Wisconsin 0.
Oklahoma 42, Kansas St. 7.
Purdue 28, Northwestern 16.

Southwest

Arkansas 30, Rice 7.
Grambling 78, Texas So. 14.
Houston 42, TCU 14.
Nebraska 21, Oklahoma St. 14.
New Mexico 35, New Mexico St. 19.
Texas 26, Texas Tech 0.
Texas AM 38, SMU 21.

West

Boston Coll. 36, Air Force 14.
Brigham Young 34, Arizona 14.
California 17, USC 10.
Missouri 24, Colorado 14.
Stanford 26, Oregon St. 7.
UCLA 20, Washington 12.
Washington St. 56, Oregon 20.
Wyoming 29, Colorado St. 13.

NBA Results

Saturday's Games

Kansas City 120, Washington 106 (Birdsong 24, Wedman 20; Wright 19, Chenier 17)

NY Knicks 124, Pistons 117 (McAdoo 37, Williams 18; Lanier 32, Money 20).

Cleveland 103, Boston 98 (Frazier 22, B. Smith 15; White 15, Cowens 18).

Houston 125, Phoenix 113 (Murphy 28 Tomjanovich 22; Westphal 28, Lee 20).

Chicago 101, Seattle 97 (Gilmore 23 Van Lier 20; Watts 16, Brown, Green, Williams 14)

San Antonio 129, Los Angeles 118 (Kenon 36, Gervin 33; Wilkes 29, Edwards 20).

Denver 137, Buffalo 111 (Thompson 38 Issel 25; Randy Smith 29, Knight 24).

Golden State 113, Philadelphia 110 (Barry 31, Parker 19; Erving 34, McGinnis 26).

Friday's Games

Indiana 125, Washington 127 (Williamson 35, Dantley 34; Wright 43 Dandridge 22)

New Jersey 118, Boston 109 (King 30, Hawkins 18; Cowens 24, Havlicek 23).

Atlanta 102, Los Angeles 95 (Bohagen, O. Johnson, E. Johnson 16, Drew, Hawes, Charles 11; Edwards 22, Tatum 19).

New Orleans 114, Phoenix 107 (Robinson 37, Maravich 29; Westphal 33, Lee 18).

Portland 98, Philadelphia 94 (Walton 23, Hollins 18; Collins 29, McGinnis 18).

Golden State 104, Buffalo 97 (Barry 37, Ray 14; Smith 30, Shumate 13)

WHA Standings

	W	L	T	Pts	GF	GA
New England	6	1	1	13	37	18
Winnipeg	6	2	0	12	44	25
Indianapolis	4	2	2	10	29	23
Quebec	3	2	1	7	25	28
Houston	3	4	0	6	24	28
Edmonton	2	4	0	4	22	31
Cincinnati	1	5	0	2	22	25
Birmingham	1	6	0	2	23	40

Saturday's Games

New England 7, Houston 2 (Webster, Plean 2, Marty Howe, Antonovich, McKenzie, Mark Howe; Lukowich, Connors).

Indianapolis 6, Birmingham 2 (St. Sauveur, Sheehan 3, Thomas, French; Lineman, Terdenche).

Friday's Games

Winnipeg 3, Cincinnati 2 (Hull, Lingstrom, Labraaten; Leduc, Ftorek).

Edmonton 3, Birmingham 2 (Campbell 3; Sheehy, Lineman).

Associated Press.

Swiss forward Sulser on attack against, from left, Birkelund, Grondale, Karlsen.

For Soccer World Cup

Poland, Sweden and Austria Qualify

PARIS, Oct. 30 (IHT).—Poland, Sweden and Austria all qualified for a place among the final 16 teams this weekend as the soccer World Cup jigsaw began to take shape.

The Poles drew, 1-1, against Portugal but it was enough to put them in an unbeatable position in Group 1 of the European zone. Austria downed Turkey, 1-0, in Group 3 to qualify for the first time since 1954.

The Swedes reached the finals for the third time in a row, sitting out the final match of Group 6. Switzerland edged Norway, 1-0, to leave Sweden two points clear in the final standings.

Ten of the 16 teams for the finals in Argentina in June are now known, with the three European countries joining the already qualified Argentina, West Germany, Brazil, Peru, Mexico, the Netherlands and Scotland.

Several other teams took a big step towards the finals. Hungary routed Bolivia, 6-0, in Budapest in the first of its home-and-away playoff matches.

The choice between the winner of European Group 9 and the third-placed South American team will be decided in La Paz Nov. 30, but the Hungarians' six-goal cushion should be enough even in the 11,000-foot-high atmosphere in Bolivia.

In the Asia zone playoffs, Iran edged its main rival, Kuwait, 1-0, to become a firm favorite to qualify for the first time. Iran shares seven points with Australia, which beat Hong Kong, 5-2, but has two matches in hand and has already beaten the Aussies, 1-0, in Australia.

Of the four remaining playoff groups, one is virtually decided, with Italy needing only to avoid a multi-goal defeat by England to qualify from Group 2.

But France and Bulgaria, which meet Nov. 16 in Paris, are finely balanced in Group 5. The French must win the match to qualify for the first time since 1966 while the Bulgarians need only a draw.

Yugoslavia, out of contention in Group 8, holds the key to the qualification of Romania or Spain, both of which have four points with one match remaining. The Romanians have the edge because they face the Yugoslavs in Bucharest while Spain must travel to Belgrade and win there. If both teams draw, Spain will go through with a better goal difference.

The African playoffs will be the last to be decided, in December. At the moment they are evenly balanced, with Nigeria leading with three points from three matches. Egypt has two points from two matches and Tunisia one point from one match.

The draw for the four groups in the World Cup finals will be made Jan. 14 in Buenos Aires.

Austria 1, Turkey 0

IZMIR, Turkey, Oct. 30 (Reuters).—Austria clinched its place in the soccer finals by beating a determined Turkish team, 1-0, here today, pushing Group 3 favorite East Germany out of the finals.

A goal by midfield general Prohaska during a goalmouth melee in the 72d minute secured Austria's position at the top of the qualifying section with an insurmountable 10 points in six games.

The East Germans, who take on Turkey on Nov. 16, can get a maximum of nine points. Their hopes were dashed despite a 9-0 drubbing of Malta yesterday.

Austria, unbeaten in its six matches in Group 3, twice drew, 1-1, with East Germany. The East Germans lost their chance to qualify when they were held, 1-1, at home by Turkey earlier this year.

The Turks came closest to scoring today with a fine shot in the 42d minute from forward Cemil, which Austrian goalkeeper Koncilia just managed to punch over the bar with a soaring leap.

Switzerland 1, Norway 0

BERN, Oct. 30 (UPI).—Switzerland edged Norway, 1-0, today to enable Sweden to reach the soccer finals. Norway would have had to down the Swiss, 4-0, to stop the Swedes from qualifying.

Swiss striker Claudio Sulser scored the only goal of the match when he pounced on a ball dropped by Norwegian goalkeeper Geir Karlsen in the 21st minute.

The match was rough but the crowd had little to cheer about, with both teams lacking the finishing touch in front of their opponent's goal.

Poland 1, Portugal 1

CHORZOW, Poland, Oct. 30 (UPI).—Poland qualified yesterday for the World Cup finals by tying Portugal, 1-1, in an unexciting game.

The game was without major highlights until Kazimierz Deyna of Poland scored the only goal for the home team in the 35th minute with a powerful shot.

The Poles looked tired after the half-time and Portugal slowly gained control over the field. Manuel Fernandez outmaneuvered the Polish defense and equalized in the 62nd minute from close range.

Hungary 6, Bolivia 0

BUDAPEST, Oct. 30 (UPI).—Hungary trounced Bolivia, 6-0, yesterday in a game that saw the Hungarians in magnificent form. The Hungarians dominated their opponents in every department of the game and reminded the 64,000 fans in the packed Nep Stadium of the glorious days of the "magical Magyars" team.

Tibor Nyilasi, the mastermind of the Hungarian team, opened the scoring in the 12th minute with a header from close range. Center forward Andras Toeroecsik made it 2-0 in the 18th minute after taking a pass into the open space and netting a low shot into the right corner.

Sandor Zombori scored the best goal of the match in the 22d minute with a tremendous shot from 25 meters just under the top of the goal, taking the Bolivian goalkeeper by surprise.

The Hungarians kept the Bolivand scored two more goals before halftime. Left winger Bela Varadi made it 4-0 in the 28th minute and Sandor Pinter scored a fifth goal in the 40th minute, netting from the right wing with a shot which slipped between the feet of the Bolivian boalkeeper. Laszlo Nagy made 6-0 in the 80th minute.

Australia 5, Hong Kong 2

HONG KONG, Oct. 30 (Reuters).—A first half hat trick by Peter Ollerton led Australia to a 5-2 victory over Hong Kong here today.

The other Australian goals were scored by Atti Abonyi and Colin Bennett. Tang Hung Cheong and Chung Chor Wai scored for Hong Kong in the second half. Australia led 3-0 at half time.

Maltese May Pull Out

VALETTA, Oct. 30 (Reuters).—East Germany's 9-0 victory over Malta yesterday could mean the end of Malta's participation in international soccer competitions, according to reports here.

This humiliation, in Babelsberg, followed a 9-0 defeat by Austria in Salzburg in another European Group 3 qualifying match in April.

Before the players left for East Germany Friday, the Malta Football Association president, Giuseppe Bonnici, was reported to have told the players that only "a much better result than Salzburg" would keep Malta in future competitions.

The reports added that Bonnici told the players his association would not tolerate such defeats and would pull out of future World and European Nations Cups.

The plan is for the Maltese to confine themselves to friendly matches with teams of comparable strength, and then re-enter the cups if the standard has improved. There are no professional soccer players in Malta.

The move is expected to cause a major national controversy. Despite the country's small population (335,000), there are nearly 400 soccer teams and the islanders avidly follow English and Italian soccer.

The Maltese government plans to build a new stadium at an unused airfield. The Libyan government has donated $700,000 toward the project.

The Kickoff in the Campaign for the 1977 Heisman Trophy

By Dave Anderson

...EW YORK (NYT).—Terry ...er, the Oklahoma State run... back, does not major in ...ing yardage. He is studying ...ness and banking. During the ...mer he worked as a loan of... in an Oklahoma bank.

...Well," said his employer there, ...u want to work in a bank?" ...No, sir," Miller said firmly, ...want to own a bank."

...ow there's a running back who ... looked beyond the end zone. ... until he owns a bank, Miller ... settle for owning the Heis...n Trophy as this year's out...nding college football player. ...ill not be an easy election to ... for him or anybody else.

...nother candidate, Earl Camp..., is a running back at Texas ...versity, currently the nation's ...-ranked team. Then there are ... Notre Dame candidates—...s Browner, the defensive end, ... Ken MacAfee, the tight end. ...y Benjamin, the Stanford ...rterback, and Doug Williams, ... Grambling quarterback, also ...ve their campaign managers. ...d that often is what winning ... Heisman Trophy election is ... about—having a good cam...ign manager. Especially in a ...r when there is no obvious ...ndidate, no Tony Dorsett for ...ample. Terry Miller's campaign ...nager in Stillwater, Okla., is ...t Quinn, alias Oklahoma ...ate's sports information direc...

"Terry is over 4,000 yards now for his career, 4,117 to be exact," Quinn remarked a few days before the weekent's games. "And almost all of it was in the Big Eight—that's a hell of a lot tougher than running against Temple, West Virginia, Army and Navy."

He was alluding to four teams on Pitt's schedule, four teams that Tony Dorsett shredded last year for a total of 703 yards. If all's fair in love, war and trying to persuade sportswriters to vote for your Heisman Trophy candidate, Quinn has a point. Dorsett probably would not have accumulated a career record 6,526 yards if he had been running in the Big Eight, generally considered to be college football's toughest conference.

Miller, a 6-foot, 194-pounder, had, up to this weekend, "15 straight games with over 100 yards, 23 in his career," Quinn said. "The voters should realize that the Heisman Trophy is an individual award, not a team award. That's what worries me about Earl Campbell—he's on a better team."

Campbell, one of 11 children raised by his widowed mother, has the team as well as the yardage. Despite a pulled hamstring muscle that limited him to 653 yards last year, the 6-foot, 220-pound senior entered yesterday's game with Texas Tech with a career total of 3,598 yards, including 213 against Southern Methodist last weekend. Perhaps more importantly, Campbell has a campaign manager with Heisman Trophy credentials. Jones Ramsey, the sports information director at Texas, was the campaign manager at Texas AM in 1957 when John David Crow won the Heisman Trophy.

Crow, Doak Walker of SMU in 1948 and Davey O'Brien of Texas Christian in 1938 have been the only Texas-based players to win the Heisman Trophy in the 42-year history of the award.

"We've never had one here at the university," said Jones Ramsey, "but we believe that Earl Campbell deserves it. He's going to go in the first round of the NFL draft, maybe the first player. He says he just wants to buy a new house for his mama up there east of Dallas, so when she goes to bed she won't be lookin' at the stars through a leagy roof like she has all these years. She must be some woman. Earl says she tells all her children, 'I'll buy you food and clothes, but I won't bail you out of jail.' And she hasn't had to. We got Earl's twin brothers here—Tim, a defensive end, and Steve, another running back."

If the Longhorns remain No. 1 in the polls, their probable Cotton Bowl opponent will be Notre Dame.

"We always want to play the No. 1 team," said Roger Valdiserri, "so we can be No. 1 when we win."

Notre Dame Trophies

Valdiserri is the Heisman Trophy campaign manager at Notre Dame for Ross Browner, a 6-4, 250-pounder, and Ken MacAfee, the son of the New York Giants onetime offensive end of the same name. Notre Dame has had the most Heisman Trophy players, six: John Huarte in 1964, Paul Horning in 1956, Johnny Lattner in 1953, Leon Hart in 1949, Johnny Lujack in 1947 and Angelo Bertelli in 1943. If Ross Browner were to win this year, he would be the first defensive end anywhere to sack this prestigious award.

"Ross has the stats," Valdiserri said. "He's had 28 quarterback sacks this year for 203 yards. In his career, he's had 66 for 385 yards. And he's recovered 11 fumbles. He's around the ball."

But those running backs, Terry Miller and Earl Campbell, carry the ball. That's almost as important as a good Heisman Trophy campaign manager. And you can take that to Terry Miller's bank.

Associated Press.

Army's three Heisman Trophy winners review cadets at West Point Saturday. From left are Felix Blanchard (1945), Glenn Davis (1946), Pete Dawkins (1958).

NHL Standings

CAMPBELL CONFERENCE

Patrick Division	W	L	T	Pts	GF	GA
Philadelphia	5	2	1	11	44	20
N.Y. Islanders	4	2	3	11	26	19
N.Y. Rangers	4	4	1	9	31	32
Atlanta	3	2	3	9	23	23
Smythe Division						
Chicago	[illegible]	[illegible]	[illegible]	9	16	17
Colorado	[illegible]	[illegible]	[illegible]	9	37	28
Vancouver	[illegible]	[illegible]	[illegible]	8	25	28
Minnesota	[illegible]	[illegible]	[illegible]	4	25	39
St. Louis	[illegible]	[illegible]	[illegible]	1	18	41

WALES CONFERENCE

Norris Division	W	L	T	Pts	GF	GA
Montreal	6	1	2	14	37	18
Detroit	3	3	2	8	24	25
Los Angeles	3	2	2	8	18	17
Pittsburgh	3	5	1	7	24	39
Washington	2	6	0	4	19	37
Adams Division						
Toronto	4	1	2	10	31	22
Buffalo	4	2	1	9	23	18
Boston	3	3	3	9	26	25
Cleveland	4	4	0	8	31	27

Saturday's Games

NY Islanders 4, Buffalo 2 (Parise, Gillies, Bossy, Trottier; Luce, Gare).

Los Angeles 5, Montreal 3 (Hicke, Goldup, Carr, Venasky, Dionne; Lafleur 3).

Boston 5, Pittsburgh 3 (Milbury, Ratelle, McNab, Schmautz, Cashman; Monahan, Kehoe, Pronovost).

Colorado 6, Vancouver 2 (Croteau, Paiement 2, Gardner 2, Delorme; Gillis, Sedlbauer).

Atlanta 4, NY Rangers 3 (Mulhern, Gould, Houston, Phillipoff; Duguay, Esposito, Adnalsk).

Toronto 7, Detroit 4 (Salming, Valiquette, McDonald 3, Williams, Sittler; Maloney, Cameron, Ritchie, Polonich).

Philadelphia 7, St. Louis 3 (Barber, Kelly, Leach 2, MacLeish, Saleski, Dailey; Unger 2, Patey).

Minnesota 7, Washington 4 (Anderson, Talafous, Bennett, Brasar, Jarry, Zanussi, Maxwell; McKechnie, Sirois, Charron 2).

Friday's Games

Chicago 4, Cleveland 2 (Bota, Bulley, Plante, Marx; Fidler, Mansry).

Colorado 8, Washington 1 (Croteau 2, Lefley 2, Gardner, Beck, Edur, Andruff; McKechnie).

More Sports News On Page 13

Observer

Models of Courtesy

By Russell Baker


Baker

NEW YORK—How much more civilized the world would seem if people still sent courtesy notes as they used to in a sweeter age, instead of priding themselves in the modern style on the unapologetic brutishness with which they do their worst to their fellow citizens. What an improvement in the tone of everyday life would result if the daily mail brought a sampling of correspondence like the following:

My Dear Bushkin: It was extremely good of you to leave your new car parked on the street Wednesday night, and by way of appreciation I contented myself with removing only the hub caps and the spare tire from the trunk.

My companion rather favored removing all four wheels to boot, pointing out that having spread such bounty before us you would surely be offended if we merely nibbled at the olives and pickles as it were and declined to partake of the main course. My companion is blessed with a delicacy of sensibility rarer than mine, and under the pressure of events—one never knows when a police cruiser will pull up alongside one nowadays—I'm afraid I came down on the side of modesty in consumption.

I do hope you have not misinterpreted this as evidence that I thought your offering lacked quality and that you will accept my sincere thanks for the splendid hub caps and superb spare tire. I remain, sir, sincerely yours, etc.

Dear Mrs. Bushkin: Just a brief line to thank you again for giving me the opportunity to bloody Biddleworth's nose at your party Wednesday last. I was particularly moved by the fact that you made your Victorian crystal available for smashing in the subsequent fisticuffs.

Although reluctant to waste good crystal on Biddleworth's skull, for which jelly glasses are more than ample, I could scarcely refuse to use such charming projectiles when tendered by such a charming hostess. Believe me, dear madam, when I say that there is no salon in which I more dearly enjoy physical assault on the guests than yours. Gratefully yours, etc.

Dear Bushkin: I know it is not easy for a man as clever as you to let himself be made to look like an absolute idiot, least of all by someone like me. The fact that you let me do it yesterday in the office conference was an act of generosity which I shall always treasure.

The fact that you chose to let me do it in front of Mr. Jibbles, at a time when you knew that Mr. Jibbles was debating which one of us to promote—well, this will make your kindness all the more precious to memory. I don't want to go all blubbery about this, old man, but I do want to say there's nobody in the whole company I'd rather have make me look like a half-wit next time Mr. Jibbles holds a conference, and I'm only sorry you've been let go and can't be there to do it. Your devoted colleague, etc.

Dear Mrs. Bushkin: Things have been in such a turmoil ever since I shot Ellsworth Wednesday last that I'm afraid I've let my social duties get desperately out of hand. This is why, until now, I haven't thanked you for getting out of the way quickly so I could have a clear shot at him.

And please don't say you only did what any woman would have done when a wife aims a Smith and Wesson at her husband in a hotel room. It's true Ellsworth was a husband to me and merely a plaything to you, but a lesser woman, finding herself tied for life to the likes of a Bushkin, might have snatched at opportunity and intercepted the bullet. Your unselfishness places me forever in your debt, and though lawyers have already begum to pick me bare, somehow I shall repay it. Eternally gratefully yours, etc.

Dear Bushkin: I want to apologize for insensitively running away and leaving you in tears on York Avenue, particularly after you had been so decent about handing over your wallet, wristwatch and new hound's-tooth-check jacket without challenge to my blackjack.

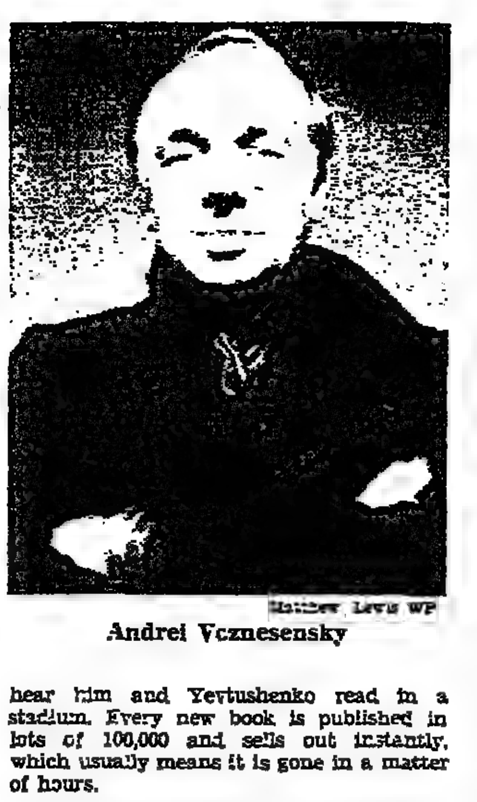
Believe me, it wasn't because I distrusted your character and suspected you of trying to delay me until the police happened along. The fact is that you were babbling so piteously that it quite put me off my good behavior. Something about losing your job, or your wife being shot with another man at the Lompoc Hotel, and some crank smashing your good crystal, and how the only thing that hadn't happened was that your hub caps hadn't been stolen. I'm afraid I cracked in my time of trial, old man, and all I can say is I've felt so rotten about it ever since that I haven't even gotten around to fencing your wristwatch.

Can you ever forgive me? Yours with fallen crest, etc.

'So much is different in the experience of our lives, but so much is the same in the expression of the soul.'

The Passionate Verse of Russia's Star Poet

By Peter Osnos


Matthew Lewis WP

Andrei Voznesensky

WASHINGTON (WP).—Andrei Voznesensky describes the scene coolly, precisely. It is Moscow just a few months ago. He has arrived to be the featured attraction at a poetry recital: "A young woman pushed her way through the crowd on the street. There were tears in her eyes. She begged me for a ticket. In the hall people were packed so close together they could barely move..."

Voznesensky has felt such adulation often. In the Soviet Union today there is no movie star, no athlete, no ballet dancer better known than he is. Russia is a land that makes heroes out of those who write verses—and Andrei Voznesensky, who is currently in Washington as a fellow at the Woodrow Wilson Center's Kennan Institute for Advanced Soviet Studies, is one of the most famous Russian poets in history.

So that Americans might find out more about this complex man—and so that he might indulge a longstanding fascination with the United States—Fred Starr, secretary of the Kennan Institute, arranged for Voznesensky to make a three-month visit.

He is doing research at the Smithsonian Institution on the relationship of such great Russian 20th-century poets as Osip Mandelstam and Boris Pasternak to modern American titans such as T.S. Eliot and Ezra Pound.

"So much is different in the experience of their lives," Voznesensky said, sipping from a small tumbler of vodka neat, "but so much is the same in the expression of the soul."

When the project is completed, Voznesensky is expected to produce some sort of research paper comparing latter-day Soviet and American poetry.

Scholarship, however, is only a peripheral part of Voznesensky's pleasure at being here.

This will be the most extensive of five trips he has made to the U.S. over a period of 16 years. He has many good American friends—Teddy Kennedy, Arthur Miller ("I consider his farm sort of like a home to me here"), Stanley Kunitz and until his death last month, poet Robert Lowell.

Recently, Voznesensky wrote a moving tribute to Lowell.

How is it Robert, there in your wild land?
Within us we all bear our family graves
How can we name the heart of sorrow's flower
As it races past us through dark cosmic waves?
Here on the stone the name that you once had rests like discarded clothes
So through the labyrinth you've made your way?

The sustained popularity of Voznesensky—it has mellowed a bit from its initial near-frenzy—is hard for Americans to imagine. On a very cold night in Moscow last fall about 12,000 people showed up to hear him and Yevtushenko read in a stadium. Every new book is published in lots of 100,000 and sells out instantly, which usually means it is gone in a matter of hours.

Unraveling the genius of Voznesensky is complex. He is certainly a very good poet and at his best, specialists say, even a great one. He writes the sort of poetry Russians love for its romantic imagery, the intimacy of secrets fathomed from intricate messages in the words.

Yet as a personality he is much cooler than Yevtushenko, less flamboyant, more calculating. Between the two, Yevtushenko is a shade more celebrated but Voznesensky is taken more seriously as a poet.

Some Russians who have known Voznesensky for years find it hard to reconcile the detachment of his manner in private and his guarded emotions with the passion of his poems and public appearances. Recognizing this puzzle in himself Voznesensky once explained:

"The poet is two people. One is an insignificant person, leading the most insignificant of lives. But behind him like an echo is the other person who writes poetry. Sometimes the two coexist, sometimes they collide; this is why certain poets have had tragic ends. Often the real man has no idea what path or what action the other will take. That other man is the prophet who is in every poem."

Several of the poems Voznesensky reads to audiences here are controversial at home. "Nostalgia for the Present," to take one of the best, has a subtle double meaning in Russian that turns it into an appeal for truth and honesty in public life.

A comic verse about the endless lines Russians have to wait on to buy anything was read in the stadium recital last fall but snipped out when the program was shown to the hinterlands on Soviet television.

For all that Voznesensky leads a very privileged existence by Soviet standards. He and his wife, Zoya, a talented prose writer, have a spacious apartment in a downtown luxury building and a dacha set in the woods of Peredelkino about 30 minutes away, a short walk from the house where Pasternak lived. They entertain casually there, a few friends, good food, a little caviar. They wear elegant imported clothes and travel abroad as often as the party bureaucrats will let them.

To earn all these perquisites Voznesensky fulfills his annual quota of provincial trips and factory visits, grueling train and plane forays to places like Omsk and Tomsk in Siberia. He has never been publicly identified with dissidents such as Solzhenitsyn and steers clear of politics on his travels abroad. He is always grappling with censors behind desks and in his head.

On this trip the most striking thing about the United States to Voznesensky is how bland it seems compared to previous visits. "Where are the new Andy Warhols, the pop art, the underground films, the 'Jesus Christ Superstars?'" he asked. "You are in a duller period culturally, more neutral."

This week Voznesensky sets off on a tour around the country (he has an established New York booking agent) visiting New York, California, Michigan, Illinois. There is a certain pecuniary benefit to his travels because Voznesensky gets to keep part of the proceeds. The bulk goes to the Soviet government.

Perhaps this time, he says, he'll find out what makes America tick: "I've stopped being a sightseer. I've been to the Empire State Building. I want to know more now."

There is no doubt that Voznesensky is still very much of an exotic figure to Americans. On the way into New York City from the airport when he arrived he left a small bag in a taxi containing about $1,000 and some papers. About 2 a.m. the driver called the apartment Voznesensky was visiting after clearly trying all the others in the building.

"Is there a famous Russian poet there?" the driver asked.

In what might be described as poetry of a free-form sort, Voznesensky declared in English:

I lost my bag but I found something at the same time
I found that New York is not such a rough wild city as everyone had said
I lost my bag and found a good man
And maybe that is more important.

He offered the driver a $100 reward but it was politely declined.

PEOPLE: *Prince Charles Leaves Snubbing a Few Invita*

Britain's Prince Charles flew off to Australia Sunday, ending a 12-day tour of the United States marked by—among other things—a lunch of cold cuts with California Gov. Edmond Brown jr., angry demonstrations against British policy in Ulster, appeals for dates from hundreds of eager young women and an invitation to San Francisco's annual Hookers' Ball. The invitation to the ball came from Margo St. James, head of a prostitutes' organization in the Bay area. It wasn't accepted: The prince's spokesman said Charles had another engagement. Eager San Francisco mothers phoned the British consulate in San Francisco seeking invitations for their daughters to meet the prince but were turned down, as well: "Prince Charles," said an official, "will not have one moment free to indulge in any kind of amorous interlude." The only discordant note during the 12-city tour came when demonstrators at the University of California at Berkeley brandished anti-British signs and shouted "Stop the killing" and "Prince of torture." Much pleasanter was the moment in Los Angeles when a pretty teenager pushed herself in front of him, wearing a T-shirt bearing the message "Take Me."

* * *

President Carter, putting to rest unkind reports that he was upset by brother Billy's publicity tours, says that Billy has never embarrassed him and that he admires the way Billy "leads his own life." Carter continued: "Billy has been concerned about the economic problems of the country. He has pretty much put the beer business back on its feet, for instance. And I think he has shown his ability as a belly-buster diver in Canada. He has promoted a lot of good projects like automobile racing and so forth."

* * *

Raleigh attorney Gerald Bass always wanted to receive a letter from a president. But the note he got from former President Gerald Ford left something to be desired. Bass's name was misspelled throughout the plea to support U.S. Sen. Jesse Helms (R-N.C.) in his re-election bid next year. The "B" in Bass was left out. "The kicker was the last sentence," Bass said, laughing. "It said: 'With Kindest Regards, Mr. A—, I am sincerely, Gerald Ford.'" Bass, a Democrat, said he probably wouldn't be supporting the Republican Helms anyway.

* * *

The note from the holdup man said he had a gun and that the request for $10,000 was no joke, so the Cleveland Trust Co. teller put some cash in a bag and handed it across the counter. Trouble was, the teller said, the robber was too short to so the man in line beh handed it down to the d lice said the robber, known to the security teller at the bank Little Eddie, was arres nearby auto parts stor after the holdup and the of money was recovered was found. Detectives, the robber for questionin him as saying, "Four made me do it."

* * *

It wasn't op, pop or er ir art, but one of the the current major exhi the Art Institute of Chi definitely alive and James Speyer, co-organi show, "Europe in the Aspects of Recent Art, discovered termites in a British artist Richard work is a collection of driftwood arranged in and Speyer had it remo the exhibition for when he discovered the

* * *

Legal battles over Marx's money have rag Los Angeles. Erin Fle late comedian's longtime ion, was sued for $400,00 estate. The suit accuse fraud, threats, manipula ceit and high living at G expense. Marx died in a 86. In the final months o life, Miss Fleming and hi fought a bitter court ba control of his money. T was filed by the Bank of National Trust and Savi sociation, administrato Marx's estate. It did n lenge Marx's will, whi $150,000 to Miss Fleming rest of his estate to his but claimed she had de him of $400,000 since 19

* * *

Now 81, George Burns ly going to get an ele school diploma. The co who grew up on the Lo Side of Manhattan, a P.S. 22, but, he said, made it past the fourth The superintendent of D which includes P.S. 22, thorized an honorary and "I'm tickled pink Burns "I guess I'm re Harvard now."

* * *

Donald Duck, Mickey and other Walt Disney characters are no longer at kindergartens in the tralian state of Queensl cause they have "over-d personalities." Brisbane's garten college, announc new policy, said childre be better served by simpl rials like wooden blocks so that they can create t characters. Spoilsports.

—SAMUEL JUS

INTERNATIONAL
Herald Tribune
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FOCUS ON MEXICO—1977

Search for Unity and Stability Is Seeking an End To a History of Coups, Crises and Confrontations

Rich Prospects

For Shattered Economy, Bright Future in Oil and Gas

MEXICO CITY (IHT).—The Mexican economy is still in the doldrums, but the government is making full use of the recession to prepare for the fresh winds that should not be many months away. Only 10 months ago, President José López Portillo inherited a shattered economy, but already its main pieces are back in place and a strengthened economy should soon be ready for expansion.

Mexico's very real economic troubles today should therefore be seen not only in the light of the chaotic conditions prevailing when President López Portillo took office last Dec. 1, but also of the rich prospects for development opened up by the country's massive new oil and natural gas finds. Progress so far and confidence in the future thus explain the relative optimism to be found here today.

Even before the final controversial weeks of the administration of President Luis Echeverria, the new government was destined to take over a difficult situation. Relations between government and business were bad, new investment had stopped, money was leaving the country, the public foreign debt had increased fivefold in six years to $19.5 billion, the balance of payments deficit reached a record $3.6 billion in 1975, inflation was running at 25 per cent a year and unemployment was growing.

But on Aug. 31, 1976, the Mexican currency was devalued for the first time in 22 years and, as rumors of every imaginable disaster gripped the country, the peso lost 55 per cent of its value, more capital fled the country, wages and prices rocketed to lift inflation for the year to 45 per cent and confidence at home and abroad was destroyed.

In an emotional and well-received Inaugural Address, President Lopez Portillo appealed, for calm and unity and, in almost Churchillian tones, asked for sacrifice and patience during the two years or so needed to rebuild the economy. And with that, he immediately set about applying the stiff tonic that the International Monetary Fund had prescribed and which he also recognized as unavoidable.

Deficits

Government deficit spending, [illegible] had been one of the main [illegible] inflation and had been [illegible] concrete expression of the [illegible] regime's reformist demagogy, was immediately cut back [illegible] with the bureaucracy ordered to take on no new employees and even to reduce staff [illegible] possible. Wages for the [illegible] labor minority, which [illegible] been raised by 43 per cent [illegible] Mr. Echeverria's last year, [illegible] permitted to rise by only 10 [illegible]. Imports, which had [illegible] in six years, were held [illegible] and the government ajusted [illegible] to an IMF-imposed net foreign borrowing limit of $3 billion [illegible].

[illegible] results of these measures [illegible] already being seen. The peso [illegible] recovered about 10 per cent [illegible] its value compared to the [illegible] last November and, [illegible] it is still expected to float [illegible] slowly against the dollar, [illegible] demonstrated extraordinary [illegible] in recent months. When [illegible] Lopez Portillo took over, cock[illegible] speculators forecast a parity [illegible] or even 50 pesos to the dollar by the end of this year, but it [illegible] now floating around 23 pesos, 45 per cent below its pre-devaluation level of 12.50 pesos.

Money that fled the country [illegible] 1976 is also beginning to return, although about two-thirds [illegible] the $4 billion that left are [illegible] abroad, either invested in [illegible] estate or fixed-term deposits [illegible] awaiting further signs of economic activity here. Mexico's balance of payments deficit, though, has shrunk to $462.9 million during the first six months of this year compared to $1.6 billion during the same period last year. To a large extent, this reflects improvements in the trade picture stemming from healthy oil and coffee exports and the recession-related drop in imports. During the first half of the year, exports rose by 30 per cent to $2.2 billion, while imports fell by 21 per cent to $2.4 billion. The trade deficit itself thus fell from $1.4 billion in January to June last year to $271.9 million during the same period this year. Tourism has still to recover its record 1974 level, but there are signs that this winter season will be the best ever.

Inflation

Finally, with the exception of a surge in August due to hikes in milk and wheat, inflation has steadily slowed throughout this year as money has become tighter and demand has eased. Inflation for this year should therefore be around 20 per cent, a vast improvement on 1976 although still far from the "American levels" of inflation that the I.M.F. wishes to see here by 1979.

These results, however, have brought considerable social costs. Unemployment and underemployment, for which no official statistics exist in Mexico, have clearly risen sharply as companies have cut back production and, in some cases, been forced into bankruptcy and as close to a million youths have joined the job market for the first time. The result has been a rise in petty crime and a sharp fall in nutrition levels for much of the population, with many recent migrants to cities being forced to return to the countryside.

Industry, above all small and

(Continued on Page 6.)

Recession Reduces Trade Deficit

MEXICO CITY (IHT).—Mexico is once again proving the sturdy economic maxim that "there is nothing like a recession to improve a country's trade figures." With the economy slumped and new investment halted, Mexico's trade deficit has fallen by over 70 per cent so far this year.

Increased oil and coffee revenues have helped enormously. But imports of expensive capital goods are now running lower than at any time since 1973, and this is what makes the difference.

The improved trade picture is nevertheless being used by the government to show that it is doing the right things to "rescue" the economy. The related improvement in the balance of payments has also helped reassure foreign bankers who are again being asked for huge long-term loans. But the nagging fear remains that as soon as the economy is reflated and massive capital imports are resumed, serious payments problems will return.

But when this happens in, say, the second half of 1978, oil exports should at least have partially transformed the nation's foreign trade outlook. And as capital imports rise, so should oil sales abroad, with natural gas exports coming on-stream in 1980 to further bolster the trade situation. By 1982, in fact, oil and natural gas exports should be earning Mexico $5.8 billion annually compared to a mere $560 million last year and an estimated $950 million this year.

The Short Term

In the short term, though, this very hydrocarbon bonanza will bring its own problems. The state oil monopoly, Petroleos Mexicanos, estimates that it needs over $9 billion worth of external financing during the next six years, most of it to be used to buy equipment for drilling, refining and transporting oil and natural gas. Both the trade deficit and the debt-servicing burden will therefore reflect these purchases.

For this powerful reason, then, the economy cannot now sit back and hope that oil revenues will compensate for its poor export capacity. And for multiple other reasons, not least to create jobs which will eventually expand internal demand, Mexico must learn how to export.

The government of former President Luis Echeverria seemed aware of this need and spent millions of dollars on trade delegations and industrial fairs trying to open up new markets outside the United States. But domestic industry, making comfortable profits behind high protective barriers, failed to follow its lead.

The new administration of President Lopez Portillo is also conscious of the need to make Mexico competitive abroad, but now the problem is that there are few industrial products available for export. Even though domestic demand is down and many factories have spare capacity, protectionism has again neutralized any natural instinct to produce for export.

World Markets

But protectionism is only the *best* reason not to export. Companies with a captive domestic market can pass on inefficiencies, outdated technology and high labor costs in the form of increased prices for the consumer and still earn a 30-to-40-per-cent return on capital. Abroad, even with the advantage of last year's peso devaluation, open competition does not allow this.

But there are other excellent reasons not to bother with world markets. Export of the simplest product still requires passage through a fearsome bureaucratic maze of paperwork, permits and payoffs which job-conscious civil servants are naturally reluctant to eliminate.

Unless the products are going overland to the United States, transportation is also a headache: railroad and road services to Veracruz are slow and inefficient and, at the port, warehousing facilities are inadequate; the port itself is antiquated—there is still no container port in Mexico—and so shallow that fully loaded vessels larger than 10,000 tons cannot be accommodated. Because of the problems at Veracruz and other Mexican ports, many Mexican exporters in fact prefer to ship through Galveston or San Diego, compensating for the additional freight costs by other savings.

Finally, sheer lack of export experience is enough to dissuade many producers. Except for transnational corporations that in practice impose international standards on Mexico, few potential exporters are willing to adjust to the international market's demands for quality and style. For example, one leather manufacturer wanted to sell wallets

(Continued on Page 6.)

President José Lopez Portillo.

President Gives Priority To Putting House in Order

By Alan Riding

MEXICO CITY (IYT).—Less than one year ago, Mexico was suffering its most serious institutional crisis in four decades, yet today the country is again enjoying political stability, leaving rumors of military coups and peasant uprisings well behind.

As the architect of this recovery of confidence, President José Lopez Portillo, who took office last Dec. 1, has tried to shape a national consensus out of the groups that were both antagonized and favored by his controversial predecessor, Luis Echeverria. The rhetoric of confrontation has been replaced by a quiet search for unity. And despite setbacks and difficulties, Mr. Lopez Portillo appears to be succeeding.

The mere fact that he visited Spain last week reflects his belief that the worst is over. Having dedicated himself exclusively to domestic economic and political problems, President Lopez Portillo can now enjoy Mexico's reconciliation with the "mother country" after its 37-year boycott of the Franco regime.

But in contrast to President Echeverria, who constantly traveled abroad promoting a "new world economic order," Mr. Lopez Portillo seems more concerned with bringing about economic order at home and establishing the basis for solid development for the rest of this century.

As a former finance minister and a man of little previous political experience, however, he has had to spend much of his first year in office trying to build a political base for himself and assert his authority over a country used to strong presidential rule.

Relief

When he took office, he immediately benefited from the widespread relief at seeing President Echeverria step down. But he inherited many key Echeverria aides and, in order to counter their influence, he also turned to supporters of former President Gustavo Diaz Ordaz, who had been publicly vilified during the last administration. Only the main economic posts were filled by his own small technocratic group.

The first six months of the new administration were consumed by Mr. Echeverria's efforts to retain his influence over domestic politics and the vicious public battle between his group and Mr. Diaz Ordaz's followers.

On the surface, at least, Mr. Lopez Portillo stayed above the conflict—he even stated recently that he was closer to Mr. Echeverria than to Mr. Diaz Ordaz—although his recruitment of the Diaz Ordaz team undoubtedl[y] helped reassure conservatives a[nd] weaken the influence of his i[m]mediate predecessor.

The equation was solved litera[l]ly by diplomacy. Mr. Diaz Ordaz, despised by the left because of his brutal repression of the 1968 student movement, was sent as Mexico's first ambassador to Spain since 1937. Mr. Echeverria, traveling the world with much fanfare as president of his own Third World Studies Center, was appointed roving Third World ambassador in the hope of bringing him under the control of the Foreign Ministry. When this failed, he was sent to Paris as ambassador to Unesco, with clear orders to stay there. Early in August, Mr. Diaz Ordaz resigned his post under pressure and, in exchange, the loyally *Echeverrista* president of Congress, Augusto Gomez Villanueva, was dumped and sent as ambassador to Rome, replacing Mr. Echeverria's former press secretary, Fausto Zapata, who was left out in the cold.

An even tougher coup against the *Echeverristas* came in last September when the former agrarian reform minister, Felix Barra Garcia, was arrested and charged with corruption. The government insisted there was no political motivation for prosecuting the former minister, but some feel it is more than a coincidence that Mr. Barra was not only close to President Echeverria but was also the executor of his controversial agrarian policy that le[d] to peasant unrest and massiv[e] expropriations of private farm[s].

Time

The nervousness caused by th[e] political in-fighting was perhap[s] the main reason for conservativ[e] reticence in giving full suppo[rt] to the new government in th[e] early months of the year. Businessmen wanted the new government to wipe out all traces of th[e] Echeverria administration, bo[th] in policies and personalities. B[ut] the new President was still find[ing] his feet and shying awa[y] from a premature confrontatio[n] with this predecessor, and he a[l]lowed time, as his most effecti[ve] political instrument to take i[ts] course.

By Sept. 1, in his first Sta[te] of the Union address, the 57-yea[r]-old President at last seemed [in] charge. "My only commitme[nt] is to the people of Mexico," [he] said. "I will not accept oth[er] pressures. In matters of [my] responsibility, only I have deci[d]ed, now decide and will decid[e]."

To rebuild the consensus [of] interests—which has been t[he] secret of Mexico's half-centu[ry] of political stability—Mr. Lop[ez] Portillo has given priority [to] winning back conservative grou[ps] that several times during the la[st] administration seemed on t[he] point of breaking with the rul[ing] establishment.

He has done this by adopti[ng] the tough economic measu[res] necessary to control inflati[on]

(Continued on Page 1[illegible])

This Report

This special section was prepared and written by Alan Riding with Evan Rocha.

The peso has a value of 22.88 to the dollar.

Petroleum Resources Put Country Among World's Giants

New discoveries are being made so rapidly that the state oil monopoly is already having to revise its six-year investment program...

MEXICO CITY (IHT).—In just a matter of months, oil has gone from rescuing Mexico from a short-term crisis to transforming the country's development outlook for the rest of this century. Admittedly, for three years now, there has been intense speculation about Mexico's oil wealth. But the new government of President Lopez Portillo has decided to come clean on the issue: in resources, though not yet in production, Mexico is one of the world's oil giants.

So far, the country's oil reserve figures do not reflect the extent of its richness. Within three weeks of taking office last December, the new government abruptly revised the country's proven oil reserves from 6.3 billion to 11 billion barrels, offering no explanation for the previous administration's conservatism. To reassure skeptics, it then called in a respected firm of American oil actuaries, de Golyer and MacNaughton, which duly confirmed the new estimate. In June, reserves were again revised upwards to 14 billion barrels and now they stand at 16.8 billion barrels. But these figures only cover areas now under exploitation and, with more than 100 potential oil-bearing structures already identified, few experts doubt that Mexico's *very* probable oil reserves are between 60 and 100 billion barrels, placing the country in the same league as Iran, although for the foreseeable future outside OPEC.

New discoveries are being made so rapidly that the state oil monopoly, Pemex, is already having to revise its six-year investment program announced last December. Officially, the $15.5-billion plan is still to double oil production to 2.2 million barrels a day, to double refining capacity to 1,670,000 barrels a day and to more than triple basic petrochemical output to 18.6 million tons a year by 1982. But Pemex has now added the project of building a $1.5-billion natural gas pipeline to the United States, while the highly successful exploration program is already demanding accelerated exploitation of resources.

Several major obstacles lie in the way of Utopia. The financial requirements of this investment are vast, with foreign banks inevitably having to produce most of the credit. But the International Monetary Fund has imposed stiff net foreign borrowing limits on Mexico—$3 billion in 1977 and just $2 billion in 1978—that will slow the growth of the industry unless they are relaxed in the coming months. Only after 1980 will oil and natural gas revenues begin to reverse the effect of huge purchases abroad of drilling, refining and petrochemical equipment on the country's balance of payments.

Questioned

The ability of Pemex to carry out this program can also reasonably be questioned. The company was created following the nationalization of American and British oil firms here in 1938 and, through corruption, inefficiency, over-staffing and poor financial management, it failed to keep up with domestic demand. By the early seventies, one of the world's largest exporters of the twenties had become an importer of oil. And even today, the production-manpower ratio of Pemex is three times higher than that of Venezuela and many times higher than that of the most efficient producers of the Middle East. The corruption of the Pemex trade unions is also still so high that Mexicans joke that the nationalist slogan of 1938, "The Oil is Ours," is interpreted too literally by the oil industry workers.

But the outlook for Pemex changed dramatically in May 1972 when new oil fields were discovered near the village of Reforma in the southeastern state of Chiapas, close to the border with Tabasco and not far from the Gulf of Mexico. Eighteen months later, the world energy crisis suddenly inflated Mexico's oil import bill and, after domestic fuel prices were raised to bolster Pemex's finances, the drive for self-sufficiency was launched. By August 1974, Mexico had become a net exporter of oil and, now, three years later, it is selling 200,000 barrels a day abroad and earning $2.7 million a day. Exports by 1982 are projected at over one million barrels a day, which at current prices will mean annual earnings of $5 billion.

Untouched

But the extraordinary feature of the Chiapas-Tabasco area is that it is still relatively untouched. Just four fields are now producing 700,000 barrels a day, while 11 more have been test-drilled and found to be highly productive, with new wells in the Agabe district producing over 10,000 barrels a day, each. Some 70 more on-shore structures have been identified through seismological tests, while three exploratory wells off the shore of the neighboring state of Campeche have proved so rich that there are high hopes for the 60 or so structures identified on the continental shelf.

Pemex Director-General Jorge Diaz Serrano recently suggested that two off-shore wells—Chac and Bacab—that were 15.5 miles apart belonged to the same oil field. Not surprisingly, some oil experts now believe that the vast oil basin stretches all the way east to include much of the Yucatan Peninsula.

Exploration is naturally being concentrated in Chiapas and Tabasco, but test drilling is also going ahead in Veracruz state, west of the historic wells around Poza Rica, on and off shore in Tamaulipas and on the Baja California Peninsula. And, according to Pemex, only about 10 per cent of Mexico has yet been surveyed for potential oil-bearing structures.

Astonishingly, until last winter's natural gas shortage in the United States, Mexico had not focused on the extraordinary gas resources that had been discovered with the oil. Last year, for example, Pemex burned $475 million worth of natural gas, while only one-third of gas extracted with the oil was sold commercially. After last winter's American crisis, though, President Lopez Portillo personally intervened and ordered that an 820-mile pipeline be built from Chiapas-Tabasco to the U.S. border at McAllen, Texas, whence gas could be shipped east to Florida and west to California.

Mexico's as yet uncalculated natural gas reserves, however, are so large that Pemex already fears that the planned 48-inch-diameter pipeline will be too small to carry all the gas that will be available for export by 1983. The pipeline will have a capacity of 2.5 billion cubic feet a day, similar to that of the trans-Canada line bringing gas from the Alaska North Slope, but production in 1982 will be "much higher" than the four billion cubic feet a day forecast a few months ago, according to Mr. Diaz Serrano. In addition, "highly encouraging and promising" deposits of gas have been found in the Basin of Sabinas, near Monclova in the state of Coahuila, and around Nuevo Laredo, by the Texas border.

Pipelines

Financing for the pipeline is already available, with Pemex obtaining exceptionally good terms for its gas—the prevailing price-energy ratio of No. 2 fuel oil landed at New York Harbor, which at present is about $2.60 per 1,000 cubic feet. Income from gas exports should therefore exceed $1.8 billion a year by 1982, not only paying off the cost of the line but also financing expansion of a domestic gas network which could touch the U.S. border again further West, particularly if new gas finds in Baja California live up to early promise. To cover the construction cost, though, the Ex-Im Bank of the United States has provided $590 million worth of credit, while a consortium of six U.S. gas distribution companies—the Texas Eastern Transmission Co., the Transcontinental Gas Pipeline Co., the Florida Gas Co., the Southern Natural Resources Co., the El Paso Natural Gas Co. and Tenneco Inc.—are providing additional financing through advance payment for gas.

Cheap Energy

Domestic consumption of gas will also inevitably rise over the next decade, being used not only in homes but also as a coal-substitute—Mexico has poor coal resources and is currently importing—in the steel industry through the "sponge iron" process patented worldwide by Mexico's HYLSA steel corporation.

Compared to most industrialized countries, Mexico is thus enviably provided with vast supplies of cheap energy. And compared to most oil-exporting countries, Mexico already has an enviable industrial base, founded in part on its very nationalization of the oil industry three decades before such moves were fashionable. But the Mexican economy does not rely exclusively on oil and natural gas for its energy.

The government of former President Luis Echeverria invested heavily in the electricity sector, more than doubling installed capacity to 10.6 million kilowatts by last December. But, in doing so, he also tripled the Federal Electricity Commission's external debt to $3.2 billion, almost 20 per cent of Mexico's entire public foreign debt. The utility's vulnerable financial situation is therefore one reason why its plan to raise generating capacity to almost 20 million KW by 1982 must be taken with reserve. Significantly, the Federal Electricity Commission's first major foreign credit of the new government will be a share of the $1.2-billion syndicated loan now being sought by the central government.

At present, 63 per cent of Mexico's electricity is generated

(Continued on Page 8.)

Mining Almost Alone in Middle of Investment, Production Boom

Mining

By Evan Rocha

MEXICO CITY (IHT).—In contrast to much of Mexico's recession economy, mining is moving full speed ahead in the middle of an investment and production boom that outshines almost all other sectors except petroleum.

Next year, operations begin at a 225,000-metric-tons-per-year copper mine in Sonora, construction continues on an $80-million, iron-ore expansion at Pena Colorada and silver production is expected to increase to 45 million ounces, more than that of any other nation in the world.

Massive government investment is the main catalyst behind the Mexican mining boom. The government increased its share in the value of mining production from 15 per cent in 1970 to nearly 40 per cent at the end of last year—an investment equal to the sum total of the preceding 70 years.

The development bank Nacional Financiera and the mining holding company Comision de Fomento Minero hold the government's 44 per cent equity in Cia Mexicana de Cobre, whose 225,000-metric-ton-per-year (mtpy) blister copper mine is supposed to start up at Nacozari, Sonora, next year. The $600-million investments in that project include a concentrate foundry and electrolytic refinery plant to produce close to 150,000 mtpy of electrolytic copper after starting up in 1979.

In 1975, mining operations began at Consorcio Minero Benito Juarez Pena Colorada, majority-owned by the government steel companies Siderurgica Lazaro Cardenas-Las Truchas and Altos Hornos de Mexico. This year the government began building an $80-million second phase, now 30 per cent completed and due on-stream by the end of next year, to double production of iron ore pellets to 3 million mtpy.

Cia Minera Autlan, S.A. de C.V., is still on the learning curve at its $50-million ferro-alloy plant in Tamos, Veracruz, which went on-stream late in 1976. The new plant increases the 34 per cent state-owned company's production capacities to 200,000 mtpy of ferro-manganese and more than 300,000 mtpy of manganese nodules.

The giants of the Mexican mining industry are Industrial Minera Mexico, S.A. (Immsa), formerly Asarco Mexicana and now Asarco minority; and Industrias Penoles, S.A., a Mexican company. Immsa's total sales came to $263 million in 1976, bettered only by Penoles among Mexican mining companies, with Penoles sales reaching $270 million. Both companies produce several dozen products and export from a third to a half of their total production, depending on year-by-year market conditions. They gear their production towards lead, zinc, silver and nonferrous minerals.

The Mexican mining production includes a wide range of metallic and non-metallic minerals, led by copper, lead, zinc, fluorite, sulphur, graphite and silver. Silver production of 42 million ounces, fluorite production of 897,000 metric tons and graphite production of 60,337 metric tons in 1976 were more than in any other country. Copper came to 89,000 mtpy last year, lead totaled 200,000 mtpy and zinc came to 259,000 metric tons. Sulphur mining, controlled exclusively by Mexican government-owned companies, produced 2.15 million metric tons in 1976. Taken as a whole, mining production contributed $1 billion (14 billion pesos) to the GNP in 1976, 1.1 per cent of the total.

Led by the continuing investments of the Comision de Fomento Minero and to a lesser extent Nacional Financiera, mining growth during the rest of this decade should exceed the 3-5 per cent per year production increases through 1976.

Short-term commitments already guarantee substantial increases in copper, iron ore and coal production and steady growth of silver, lead and zinc. Long-term possibilities are highlighted by exploitation of 3 billion tons of phosphoric rock deposits discovered on the Baja California peninsula and continued development of copper deposits discovered in Nichoacan and Baja California.

Manufacturing

MEXICO CITY (IHT).—After three decades of steady growth, Mexico's manufacturing industries now face the painful transition from the generally low-volume, relatively high-cost production typical of developing countries to the large-scale export-oriented model more common in industrial nations.

Ambitious new projects include a $500-million aluminum smelter, $85-million stainless steel plant, $2 billion worth of new primary petrochemicals and a $3-billion expansion of basic state-owned steel facilities, all of them intended to produce export volumes generous enough to provide permanent export markets and competitive economies of scale.

"We now estimate that manufactured exports contribute about 30 to 40 per cent of our total annual exports," explains an economist in the government's Foreign Trade Institute. "But we are still exporting what can't be sold on the domestic market. We have to build up permanent export production and maintain permanent export markets."

Spurred by official policy which promotes import substitution by giving a potential manufacturer closed-border protection against competing imports, Mexico's manufacturing industries grew at an average of 9 per cent annually during the 1960s, when their relative share of the gross domestic product increased from 19 per cent to 23 per cent. Although annual growth slowed during the 1970s, by the end of last year Mexico's manufacturing industries including primary petrochemical production accounted for 24.8 per cent of the gross domestic product, a total of 302 billion pesos, worth $19.6 billion at the average peso exchange rate for that year.

In 1976 the Mexican economy produced 178 per cent over the volume of manufactured products produced in 1967.

Despite an industrial slump, the size and diversity of the country's manufacturing industries and the volume of their production are second only to Brazil in Latin America and among the top 20 nations in the world.

Last year Mexican manufacturing industries produced more than five million metric tons of steel, four million of basic petrochemicals, three million tons of gray cement, two million tons of nitrate fertilizers, 200,000 motor vehicles and 114,000 color television sets. Manufacturers exported $104 million of processed food products, $156 million in textiles and clothing items, $204 million in chemical products and $250 million worth of transport equipment.

But decades of import-substitution policies have fostered protected industries that are often inefficient. "The dynamism of our industries has weakened," President José Lopez Portillo noted last month in his first State of the Union message. "Currency devaluation has shown up the financial vulnerability of the prevailing industrial structure and its basic foundation in the indiscriminate substitution of imports."

The decline of manufacturing industry growth came hand in hand with monetary distortions that led to devaluation of the Mexican peso slightly more than a year ago. The real growth of the gross domestic product fell from an average of more than 7 per cent from 1960 through 1973 to 5.9 per cent in 1974, 4.2 per cent in 1975 and 2 per cent in 1976, the worst year since the Second World War. Businessmen and the government feuded and private investment declined in real terms.

The private sector is now being asked to join a national "Production Alliance" by investing heavily in basic goods accessible to marginal classes through low-cost distribution channels. Cement manufacturers have promised to boost investments during the next six years. They plan to more than double production to bring a regular two-million-ton-per-year export surplus.

Auto-parts manufacturers plan $1.25 billion in investments, private petrochemical producers $1.05 billion and capital-goods manufacturers $400 million. The Mexican-French joint-venture Mexinox is building an $85-million stainless steel plant in San Luis Potosi, planning roughly half its 40,000 metric-tons-per-year (mtpy) production for exports. The Mexican-American mixed-venture Petrocel export most of its 150,000 mtpy production of raw materials for polyester fibers. The private steel companies Hylsa and Tubos de Acero de Mexico S.A. (Tamsa) are programming regular export sales. IBM's new Jalisco plant is exporting typewriters to Japan and Nissan Motors' new Cuernavaca plant has designated a share of its Datsun vehicle production for sales in Central America.

The state still plays the major role in investment. It strengthens opportunities through fiscal and financial incentives for exports, for basic goods and to encourage decentralization. Even more important, the state is by a large margin the most important single manufacturing investor in Mexico.

The government owns and operates more than 850 companies and financial institutions, including several dozen industrial companies that number among the major enterprises in the country: Altos Hornos de Mexico, Latin America's largest steel company with a 3.75-million-mtpy capacity; Petroleos Mexicanos, the oil and petrochemical monopoly; Siderurgica Lazaro Cardenas Las Truchas S.A. (Sicartsa), a 1.35-million-mtpy steel company; Diesel Nacional, making motor vehicles, tractors, diesel engines, and many other major companies.

Despite current austerity policies recommended by the International Monetary Fund, the Mexican government will invest roughly $8 billion in 1977, including approximately $4 billion for industrial projects. The Lopez Portillo six-year administration plans to invest $3 billion to double the capacity of Sicartsa, as well as an investment of $2 billion to triple Petroleos Mexicanos' petrochemical production and more than $500 million to increase fertilizer capacity. The state majority-owned Jalumex will spend $500 million to build a 145,000-mtpy aluminum smelter in Veracruz. And the government plans to invest $3 billion to double newsprint production at a 50,000-mtpy new plant in San Luis Potosi and $110 million to build a 100,000-mtpy newsprint plant based on sugarcane pulp in Veracruz.

The larger, basic industrial projects are almost always located outside crowded urban areas and are designed to include steady and permanent export production surpluses. Although the transition to an export base may take most of President Lopez Portillo's years in office, Mexican manufacturing industries should emerge with more growth potential than had been previously anticipated.

Construction

MEXICO CITY (IHT).—Mexico's $8.5-billion-per-year construction industry is looking towards new federal investments to pull it out of the worst decline in recent memory. Volume dropped 2 per cent for 1976 and a disastrous 14 per cent over the first four months of 1977.

Projects, including the $1.2-billion Mexico City subway expansion and the $800-million suburban electric railway and, of course, a $1.5-billion, 800-mile natural gas pipeline, should lead the construction sector back to rapid growth by 1979.

"We will have to do some substantial purchasing abroad, and we may need some relatively minimal technological assistance," says an official involved in Petroleos Mexicanos' gas pipeline project. "But the civil construction work will be contracted entirely to Mexican companies."

Subway construction has already been contracted to 15 Mexican companies, headed by Ingenieros Civiles Asociados (ICA), which was the main contractor of the existing 42 kilometers of subway line. The expansion will double that total.

The electric railroad system has been given preliminary approval by the Mexican government, but the final go-ahead will depend on some further studies.

To solve an economic crisis that climaxed in 1976 with the devaluation of the Mexican peso, the government has had to move slowly on new investments that might otherwise have softened the blow to the construction industry. But as of September, 1977, President José Lopez Portillo announced plans to invest close to $8 billion this year and to move ahead with several major projects. The biggest announcement is expected in the near future—renewal of the postponed second phase of the Lazaro Cardenas Las Truchas steel plant Sicartsa, a $3-billion, five-year project to double the present nominal steel-making capacity of 1.35 million metric tons annually.

Pablo Trevino, president of the National Chamber of Construction Industries, says the wave of new project announcements during the last four weeks has prompted a revision of an early August cautiously optimistic recovery forecast. "We have hit bottom and we are going to come up faster than we had thought," he said. (The earlier forecast projected a slow but steady recovery over an 18-month period.)

A chamber projection indicates a 250-per-cent increase in total volume of construction work by 1982, when the industry will build about $20 billion worth in current dollar terms. By that time, employment will have grown from roughly 750,000 to about 1 million workers, including approximately 50,000 skilled workers, construction's share of the GNP would reach 5.2 per cent, up from 4.9 per cent in 1976.

Projecting current trends through the end of 1982, the chamber planners expect the volume to be divided 40 per cent to residential construction, 28 per cent industrial and commercial construction and 32 per cent infrastructure works.

The trickiest barrier to realizing the goal, the study notes, is the lack of qualified skilled labor.

Like ICA, Bufete is doing a growing business in design, engineering and construction services in other Latin American countries. ICA has done major hydroelectric work in Colombia and Ecuador and highway construction in Guatemala and other countries. Bufete Industrial has been contracted for industrial engineering and construction supervision in the Dominican Republic, Peru and Argentina.

Steel

MEXICO CITY (IHT).—The Mexican government is consolidating its sizable holdings in the domestic steel industry this year, as part of a long-range plan to move the local steelmakers into a position of regional dominance. The consolidation means coordinated management of the three principal government companies, Altos Hornos de Mexico S.A. (Ahmsa), Siderurgica Lazaro Cardenas-La Truchas S.A. (Sicartsa) and Fundidora Monterrey.

A spokesman for the Secretariat of National Properties and [illegible]dustrial Growth says the [illegible] step is detailed coordination [illegible] the three companies to stre[illegible]line marketing, distribution [illegible] planning. Depending on res[illegible] the state holdings may be [illegible]verted to a holding comp[illegible] called Sidermex, S.A.

"The program has been [illegible] simply confused with a suppo[illegible] government incursion into [illegible]vate-sector territory," expl[illegible] Francisco Jauregui, assist[illegible] manager of the National [illegible] and Steel Industry Chamber. [illegible] isn't really intended that [illegible] The government controls la[illegible] majorities in Ahmsa and Sica[illegible] and an effective majority of [illegible] per cent in Fundidora Montert[illegible] not an absolute majority but [illegible] largest single block of st[illegible] enough to effectively cont[illegible] management decisions. All [illegible] wants to do is manage more e[illegible]ciently. For example, why sho[illegible] Sicartsa waste money on a fore[illegible] distribution system when Ahs[illegible] already has one?"

Nominal steelmaking capac[illegible] in Mexico was effectively doubl[illegible] from 1970 to 1976, to 10 milli[illegible] metric tons. Sicartsa went [illegible] stream late last year and [illegible] produce barely 300,000 metric t[illegible] this year. Ahmsa is expected [illegible] produce about 2.5 million of [illegible] capacity of 3.75 million, beca[illegible] it, too, is starting up producti[illegible] in newly completed faciliti[illegible] Fundidora has finished expansi[illegible] from 900,000 to 1.5 million met[illegible] tons per year, but has been [illegible] but crippled by labor proble[illegible] and a $400 million foreign d[illegible] that led to near bankruptcy u[illegible] the government stepped in ea[illegible] this year.

The steelmakers are hoping [illegible] increase production to more th[illegible] 6 million metric tons this ye[illegible] despite a soft domestic ma[illegible] held down by plunging dema[illegible] in construction and automo[illegible] manufacture. Imports of [illegible] and steel products were do[illegible] over the first seven months [illegible] 200,000 tons from 350,000 one y[illegible] earlier. Exports of basic m[illegible] products were up to 336,000 m[illegible] tons, from 214,000 one year earl[illegible]

Production figures cast [illegible] doubt on chances for a 6-milli[illegible] ton year. Steel ingot produ[illegible] dropped 2.7 per cent during [illegible] first seven months of 197[illegible] 2.99 million metric tons. Pro[illegible]

(Continued on next page)

...While Tourism Sees Sunshine at End of Two-Year Decline

(Continued from preceding page.)
ion of structural shapes dropped 9 per cent to 187,000 metric tons, laminated seamless pipe and sheets dropped slightly while corrugated rods picked up 2.8 per cent and tinplate 29 per cent to 120,000 metric tons. The steel chamber notes that markets seemed to have hit their low at about midyear and now show signs of picking up.

A main key to continuing steel expansion is the second phase of Sicartsa, which would double the current 1.35 million metric tons per year nominal capacity after investment of $3 billion and five to six years of construction. The second phase was being contracted last year when devaluation of the Mexican peso, and the disastrous effect it had on Sicartsa liabilities, forced a postponement. Informed sources now predict that work will renew on the project sometime early in 1978, although probably for a modified, less expansive second phase.

Ahmsa heads the list of already authorized government steel investment of $201 million in 1977. Work continues on $73 million worth of iron and coal mine expansion to be completed in December, 1979, and construction is now 85 per cent completed on an approximately $600-million expansion of the Monclova steelmaking unit, which will complete upgrading capacity to 3.7 million metric tons per year by the end of 1978.

The Mexican private sector is led by Grupo Acero Hylsa, owner of the HyL direct reduction technology for sponge iron production that has been sold to steelmakers in Indonesia, Brazil, Venezuela, Iran, Iraq, Zambia and Mexico. Hylsa is currently expanding its own steelmaking capacity from 1.5 to 1.9 million metric tons per year. Production in 1976 was 1.3 million metric tons of steel.

Tubos de Acero de Mexico, S.A. (Tamsa), Latin America's only producer of seamless steel tubing, is a majority private-owned company whose plant is located in Veracruz. Tamsa has temporarily postponed planned expansion from 420,000 metric tons per year to 700,000. The company isn't saying why, but stock market followers suspect a heavy foreign debt at the time of devaluation of the Mexican peso as the cause.

Mexico has approximately 350 million tons of known iron ore reserves and about 4 billion tons of known coal reserves, although little of that coal is useful for steelmakers. Long-range planners want the steel industry to become a significant foreign exchange earner by 1990. They have made exports particularly important for Sicartsa, which was built on the Pacific coast along with a deepwater Pacific port used now for coal imports.

Transportation

MEXICO CITY (IHT). — The Mexican government has authorized investments of $2 billion to improve train transportation in and around this city.

Two projects will expand Mexico City's subway line and construct an entirely new electric railway linking the center of the city with its rapidly growing suburbs.

The subway plan includes 40 kilometers of new line, which will roughly double the present route, at a cost of approximately $1.2 billion. The electric railway would incorporate 80 kilometers of double track at a cost of approximately $800 million. Construction began on the new subway last August after planned expansions were delayed more than three years by the financial problems of the Mexico City government. Construction of the suburban railway is still waiting for further feasibility studies, expected to be completed by the end of this year.

In addition, $1.6 billion in other investments have been authorized by the government in communications and transportation for this year. The GNP value of this sector, in real terms, has been growing at an average rate of 9.4 per cent annually since 1970. The government will spend in 1977 slightly more than $800 million on rail and highway transportation, $100 million for maritime and $83 million for air transportation, plus $480 million for telecommunications and mail services. Those figures represent only investments. Actual spending on communications, and transportation came to $3 billion in 1976.

Government investment is important because state ownership is the rule for all telecommunications media, highways, ports, railroads and Aeromexico, one of the two major commercial airlines. Projects under way include $340 million this year for improvement of the telephone service, where Telefonos de Mexico (51 per cent government owned) has produced average annual telephone line increases of 15 per cent, the highest in the world. Hermosillo, Sonora, will inaugurate a $6-million international airport this December, while work continues on $45 million in port improvements, a $120-million rail line to the Sicartsa steel center on the coast of Michoacan and $432 million worth of highway improvements.

Highway transportation is still the most important in Mexico, for freight as well as for passengers. According to official statistics, the country had 117,000 kilometers of federal highways at the end of last year, including 15 toll roads with a total extension of 1,078 kilometers. More than 3 million motor vehicles will circulate this year, carrying 87 billion ton-kilometers of freight. Buses will carry 73 billion passenger-kilometers, and private cars are expected to reach 82 billion pasenger-kilometers.

Rails, by comparison, will handle 37 billion kilometer-tons this year, and only four billion passenger-kilometers. The Mexican railway system covers 24,911 kilometers, served by 1,293 locomotives and 40,000 rail cars. It is managed by the government's Ferrocarriles Nacionales, S.A., which runs a steady operational deficit that came to $420 million in 1976. Most of the rolling stock is provided by the state's Constructora Nacional de Carros de Ferrocarril, S.A.

The airplane is perhaps the fastest growing means of transportation in Mexico. Experts disagree whether the rapid growth is caused by modernization of the developing economy or by the geographical barriers to ground transportation in some areas. Mexico has 23 national and 17 international airports, plus 1,040 landing strips and feeder airports that do not offer airport services. The airports serve a total fleet of 562 commercial planes, 449 official planes and 2,749 private planes registered at the end of 1976. Commercial planes are owned by the two major Mexican airlines, Mexicana de Aviacion and Aeromexico, both of which have several important international routes and dozens of domestic routes.

Mexican craft will report 235,000 flights in 1977, including 51,000 international flights. They will carry passengers 17 billion passenger-kilometers, including 12 billion internationally, and will carry 141,000 tons of air freight. Mexicana leads Aeromexico slightly in its operations, by 4.6 million passenger-kilometers to 3.3 million expected in 1977, according to official figures.

Ports and shipping have been a problem in Mexico, one which President José Lopez Portillo studied years ago as a government planner and is expected to review during his presidential term. Ports have been chronic bottlenecks for international trade. In 1976, the average stay at a Pacific port was 3.08 days for a general cargo ship and as much as 12 days for a grain ship; in the ports along the Gulf of Mexico the average was 3.2 days for a general load of cargo and 8.3 days for a grain ship. Mexican ports are expected to handle 68 billion metric tons of cargo this year, up from 67 billion last year.

Efforts to solve the ports problem concentrate on Lazaro Cardenas, built to serve the Sicartsa steel plant, and Manzanillo, where a Japanese-financed, $22-million improvement was completed last year. Those are the two principal Pacific ports. On the Gulf of Mexico, the government is planning to invest $16 million in new facilities at Coatzacoalcos, Veracruz, near the oil and petrochemical developments on the Isthmus of Tehuantepec, and approximately $5 million this year on continuing improvements in the two main gulf ports, Veracruz and Tampico.

In communications, the Mexican mail service will handle about 501 million pieces of national mail and 268 million international this year, while the telegraph service dispatches 1.6 million international cables. Telefonos de Mexico had 3.2334 million telephones in service at the end of last year and expects to have 3.6354 million by the end of this year, maintaining first place in the world for lines in service. Telefonos de Mexico is supplied by two international affiliates in Mexico, Indetel of ITT, which is 51 per cent Mexican-owned, and Teleindustrias Ericcson, 60 per cent Swedish-owned. Telephones in service per 100 inhabitants are at 5.55, up from 5.11 in 1970.

Fish

MEXICO CITY (IHT).—News of the Mexican government's national fisheries plan, released this September, has given stubborn optimists some reason to hope for improvement in the country's embarrassingly deficient fishing industry. The sector accounted for only 525,000 metric tons of catch last year despite the benefit of more than 10,000 miles of coastline giving onto some of the richest fishing waters in the world.

The plan establishes basic goals for the fishing sector, including a 29-per-cent increase in fishing activities and a 361-per-cent increase in production over the next six years. It is slated to produce $1 billion in exports plus $150 million in import substitution for the period.

The plan was written by the government's newly created Fishing Department, which was taken out from under the Industry and Commerce authority last December and given full Cabinet status as part of a federal government restructuring. Department head Fernando Rafful Miguel says the government will invest roughly $1.3 billion during the next five years to create 113,000 new jobs in ocean fishing and 56,000 in inland fishing and breeding industries. Mexican shipyards will build 557 fishing boats, and several new fishing ports. The government will also promote technology exchange.

The optimism is not based on past performance, however. The disorganized and inefficient fishing sector has had a long tradition of producing more bureaucracy and rhetoric than catch.

Even as the ambitious fishing plan was being drawn up, the catch dropped 17.2 per cent over the first four months of this year. And the media hooked onto a scandal of some several dozen fishing boats that were bought by the government during the 1970-76 administration despite defects that kept them from ever being used.

Mexico's decision to adopt a 200-mile economic limit has produced some optimism about the sector's long-range future, and some new income from licenses sold to non-Mexican boats, but the country's 85,000 fishermen are not able to fully exploit their territorial waters with their 28,-28,500 fishing boats.

The private sector places much of the blame on the fact that roughly half of the country's fishing boats, and 43,000 of the persons employed, are involved in cooperatives — joint-ownership operations closely linked to government bureaucracies and not known for their modern production methods. The Mexican business publication Expansion has accused the cooperatives of "operating in an obsolete and chaotic manner." The same publication noted that President Lopez Portillo recently indicated that the cooperatives were not responding to the privileged position granted them by the government, creating "very serious" confusions in the public sector.

Despite the many problems, however, there is no doubt that the country has considerable fishing potential if the sector can be property developed. Mexican fishermen brought up 64,000 metric tons of sardines last year, for human use alone; another 79,-000 were used for animal feeds, along with 78,000 metric tons of anchovy. Local fishermen also caught 47,000 metric tons of shrimp—31,250 for export—plus 29,000 metric tons of oysters and 15,000 metric tons of tuna. But many times more were taken by Japanese, American, Cuban and Russian boats, which operate the Mexican waters by default.

Agriculture

MEXICO CITY (IHT).—This year, as in the past six years, it is expected that Mexico's agricultural production will fail to meet the increase in its population. All sorts of remedies have been tried: the doubling of loans to the sector in the last five years, and the tripling of most crop guarantee prices as well as other concentrated efforts. This year alone state investments came to more than $1.1 billion.

A study published by the Banco Nacional de Mexico, the country's second largest private bank, blames "structural failings" for the need to import 1.5 million tons of corn, 800,000 tons of soybeans or the equivalent, half a million tons of sorghum and somewhere between a quarter and a half a million metric tons of wheat in 1977.

Official statistics are almost as glum as the bank's estimates, which do, however, cite higher exports than the government expects. Central bank figures for the volume of agricultural production indicate lower production in 1976 than in any single year since 1965, when the country's population was roughly two-thirds of its present 65 million.

"Mexico simply has not been able to overcome the problems of rural marginalization, lack of technology, lack of credit, organization and a practical free enterprise structure," says the head of a Mexican private bank involved in farm credits in important northwest agricultural areas.

Like many—and perhaps most—of his private sector counterparts, the banker blames the Mexican *ejido* system for much of the agricultural sector's problems. Designed to solve the problems of wealthy landowners monopolizing the farm sector, the *ejido* was basic to Mexico's 1917 constitution; in theory, all holdings of more than 100 hectares of irrigated land and of 400 hectares of non-irrigated land were to be divided up and given to the people as *ejidos*, which gave each owner perpetual rights to work a plot of land and pass it on to his descendants. But it did not allow him to sell it or use it as bank collateral.

The theory has been modified considerably since then, but Mexico still suffers from inefficient exploitation of small non-irrigated plots in most of its 19 million hectares of arable land. Although irrigated land has increased since 1970 from 2.4 million hectares to three million hectares, the Banco Nacional de Mexico notes, land farmed by more traditional methods has failed to increase beyond 15.5 million hectares.

What progress has been made has been focused on increased yields-per-hectare on the efficiently worked large farms which are concentrated in the north and northwest states of Mexico. Wheat yields have increased from about 3,000 kilograms per hectare in 1970 to about 3,900 in 1976 and 3,500 in 1977. Corn yields have increased more slowly, from about 1,200 kilos per hectare to about 1,300. The increases were produced partly by the introduction of improved seeds, partly by a steady increase in the production and use of fertilizers, and to a minimal extent by government pressure to collectivize the splintered *ejido* plots, introducing new machinery and in some cases more modern methods.

President José Lopez Portillo has emphasized steady increases in guarantee prices paid by the government to producers of basic crops. Most of these increases have been enormous: Corn has gone from 900 pesos per metric ton in 1970 to 2,400 at present; wheat has increased from 840 pesos per ton to 2,050 pesos; and soybeans are up from 1,640 pesos per ton in 1970 to 5,500 pesos.

The Lopez Portillo administration is also investing more than $1.1 billion in the agriculture, livestock and forestry sectors, including more than $900 million to increase irrigation. That does not include a long-term drive to increase fertilizer production in a $135-million phosphates plant, and the investment of approximately $100 million for two urea plants with capacity totaling 1.035 million metric tons per year.

The bright spot in Mexico's generally gloomy agricultural picture is the export crop, which the Banco Nacional de Mexico estimates will come to $1.4 billion in 1977, considerably more than the $600 million expected in imports of basic foods.

Coffee, enjoying a price bonanza, produced $343 million in exports in 1976 and is expected to top $400 million this year even without a significant increase in volume. Tomato exports, worth $137 million in 1976, are expected to pass $160 million this year, while cotton is expected to increase from $241 to $270 million; fresh fruits should produce between $45 to $50 million and fresh or refrigerated vegetables $30 million.

Tourism

MEXICO CITY (IHT).—Mexico's tourism sector is looking forward to the end of its two-year slump. The 1976 devaluation of the peso eliminated one of its key problems, and the election of a new president in 1976 eliminated another. Now both public and private sectors are gearing up for new investments and new growth in hopes of recovering most of the ground lost during the recent decline.

ALFA, the country's largest private company, leads in the list of new investments planned. ALFA subsidiary Casolar, S.A. has announced plans for an investment of more than $200 million over the next seven years to develop an integrated resort area at Las Hadas, near the Pacific port of Manzanillo between Acapulco and Puerto Vallarta. If development proceeds as planned, another $200 million will be invested in Las Hadas by other hoteliers, condominium developers and other participants.

The Las Hadas project will be partially financed by the government's tourism promotion fund, Fonatur. However, the ALFA investment is more than twice that of any government development, according to Under Secretary of Tourism Antonio Enrique Savignac. Government officials are particularly pleased with the private company's plans because "when a company like ALFA decides to move into tourism, other private investment will follow," says an official economist. The plans include 4,500 hotel beds, and 7,500 direct employees. Manzanillo's tourism flow is expected to grow from 150,000 people in 1976 to 827,000 in 1983, bringing an income of $144 million.

The Las Hadas announcement is not the only good news for the tourism sector. The government's coordinating commission for the development of tourism in Baja California has announced a $25-million program for infrastructure development in that area. Fonatur has budgeted $34 million in 1977 alone to continue development of its $80-million project at CanCun, a similar one at Ixtapa-Zihuatenejo and a $40-million resort project at Puerto Escondido and San Jose del Cabo on the Baja California peninsula. In addition, the government's Nacional Hotelera inaugurated its new $30-million skyscraper hotel, the Presidente Chapultepec in Mexico City last August.

Tourism secretary Guillermo Rosell de la Lama says these projects take second place to the immediate goal of "filling up all the rooms we already have that aren't occupied." With this in mind, a mass-media campaign is reminding Mexicans to treat tourists politely and a campaign abroad is under way to encourage potential visitors. The government has ended customs inspections for tourists—except those arriving from South America—and has lifted its prohibition on incoming vehicles with citizen's band radios. There is also talk of a streamlined tourist's entrance permit.

In the past, Mexico's tourism sector has provided a big boost to its balance of payments. Foreign tourism income doubled from $415 million in 1970 to $842 million in 1974. Equally important, the balance of tourism-related income, minus expenditures — including border transactions and transportation fares—also doubled during that period, from $524 million to $1.042 billion. This favorable balance compensated for more than half of the trade deficit in 1970, but the ratio declined to less than one-third in 1974 and barely one-fourth in 1975, when the tourism balance was $939 million.

"Things were tougher during 1975 because we began to have trouble matching prices offered by the competition," says Raul Garcia, general manager of Mexamerica, one of the major Mexican-owned travel agencies. The competition, he explains, is competition for the American tourist to destinations like Hawaii, California, Florida and the Caribbean. Mexico suffered inflation of about 25 per cent in 1974, 18 per cent in 1975 and 27 per cent in 1976, forcing tourism operators to increase their peso prices well before the Sept. 1, 1976 currency devaluation was able to compensate the dollar buyer.

To make matters worse, Mr. Garcia adds, Mexico was very sensitive to the recession in the United States which hit at about the same time, cutting into the world tourism market in general and the Mexican market in particular.

Another serious problem arose late in 1975 when Mexico voted against Israel in the United Nations and became the target of a retaliatory boycott against travel to Mexico. "We really felt it in Mexico City," says the sales manager of a major Mexico City hotel, "but it was much worse in Acapulco." The boycott continued until President José Lopez Portillo was inaugurated last December, since the UN problem was closely identified with his predecessor, Luis Echeverria Alvarez.

Although the worst period is over, the effects of the recent problems linger. Furthermore, since the value of the peso has gone from 12.5 to 23 pesos to the dollar, peso incomes must increase considerably to make a dollar gain. Both factors have kept tourism performance fair to poor in 1977, with gross dollar income down 6 per cent from last year over the first six months, and the net balance down 8 per cent. "But things have picked up very much this summer," says a spokesman for Mexicana airlines. "The future is now very bright."

ESTADOS UNIDOS MEXICANOS

Mexico City: Among World's Fastest Growing Urban Area

MEXICO CITY (IHT).—By any criteria, this city is an urbanist's nightmare. Expected to grow from 12 million inhabitants today to more than 30 million by the year 2000, it is already the largest poor city in the world and, by the end of the century, it will be bigger than Tokyo, New York and Shanghai.

Mexico City's problems would seem minimal were it not at an altitude of 7,400 feet, the only one of the world's 15 largest cities not situated at or near sea level. The extra cost of providing the capital with food, water and energy is exorbitant, the problems of air pollution are aggravated and the difficulties of construction are heightened.

The distribution of Mexico's population is also a problem. Some 80 per cent of the country's irrigated land, 85 per cent of its water supplies, 90 per cent of its hydroelectric energy and 100 per cent of its oil are to be found less than 500 meters above sea level. Yet, only 20 per cent of the country's 64 million population lives at these low altitudes.

Decentralization

President Lopez Portillo's administration has established decentralization from Mexico City as a priority goal. And, rather than relying on the rather ineffective tax incentives of the past to decentralize industry, Mr. Lopez Portillo has already begun sending government agencies to the provinces.

Naturally, there is resistance, above all from politicians who feel they may be forgotten. But the President has expressed his determination to ship out all ministries and departments that do not have to remain in the city. And if this occurs and some of the focal points of power are shifted away from the capital, then industry and new job opportunities should follow.

The Gulf Coast area is the natural region for expansion. The states of Tamaulipas, Veracruz, Tabasco and Campeche have rich agricultural land, many rivers, vast fishing potential, most of Mexico's oil and natural gas reserves and, not least, they offer natural gateways to the export markets of the U.S. East Coast and Europe.

Although there is no suggestion yet of moving the capital to this region, the change of geographic emphasis required of Mexico is comparable only to that in Brazil after Brasilia was built. Brazil had to look towards its interior; Mexico must turn away from the mountains.

The Mexican government's success in promoting such a change will define the severity of Mexico City's crisis in the coming years. Even an exceptionally successful decentralization policy will probably mean a population of 25 million instead of 30 million in the capital by the year 2000.

Compared to other regions, Mexico City remains a powerful magnet for unemployed migrants—more than 1,000 arrive every day—while its own natural growth rate is among the highest in the world for urban areas.

Even now, the problems are myriad and frightening. Millions of poor peasants have spawned vast "lost cities" that lack all basic utilities. Water, when available, can be obtained at communal taps or from water trucks; drainage is nonexistent; streets are unpaved and, depending on the season, are either dusty or muddy; garbage is strewn everywhere; homes are improvised shacks of wood and carton; police protection is minimal; job openings are usually many miles away, and public transportation in these districts is inadequate.

Strain on City

As "lost cities" grow much faster than public services can reach them, the strain on the city government constantly increases. It is felt throughout the capital. The cost of bringing water up to Mexico City and then draining it off again is overwhelming and, as a result, even respectable residential areas suffer water shortages and flooding.

Finally, the cost of building in the capital is five times greater than in most alternative areas, not only because material must be brought from other regions, but also because the soft subsoil requires that special measures be taken to prevent sinking. Many old buildings in the capital lean precariously to this day. New techniques have been developed to ensure that modern constructions sink evenly and, there[illegible] unnoticeably.

Perhaps the greatest shock [illegible] first-time visitors to Mexico C[illegible] however, is the degree of air [illegible]lution, which often leaves [illegible]ists with stinging eyes and [illegible] throats. This problem is the [illegible]sult of a classic vicious cir[illegible] most industry is in or ar[illegible] Mexico City; migrants are th[illegible]fore attracted here; and new [illegible]dustrial investment is made [illegible] because skilled labor is availa[illegible]

As in most developing [illegible]tries, air pollution controls [illegible] almost unheard of here. T[illegible] exist on paper but are not [illegible]plied, and all forms of [illegible] fumes are poured into the [illegible]mosphere every day. Added [illegible] this, there are about 1.3 mi[illegible] vehicles in the capital, many [illegible] them dilapidated and run[illegible] largely on oil and good fort[illegible]

The new administration [illegible] decided to tackle first the p[illegible]lem of public transportat[illegible] which is so bad that even [illegible] city dwellers prefer to buy [illegible] cars and use them during [illegible] week rather than wait for bu[illegible]

At present, there are many [illegible]ferent kinds of public trans[illegible]tation—some, like buses [illegible] taxis, are run privately; ot[illegible] like trolley-buses, trams [illegible] subways, are run by the gov[illegible]ment. If the government sho[illegible] try to take over the entire tr[illegible]portation system and nationa[illegible] it, the bus owners' lobby would [illegible] too strong politically to succ[illegible] to such a move.

The alternative has been [illegible] extend the subway system, w[illegible] was built between 1968 and [illegible] but was seemingly ignored [illegible] the last administration. [illegible] on several new lines was i[illegible]gurated by President Lopez [illegible]tillo in August.

As with all other probl[illegible] the demand for public trans[illegible] is growing much faster than [illegible] services. The prospects for [illegible] city are bleak. In some do[illegible] town and residential area[illegible] remains a charming capital [illegible]fering excellent food, pla[illegible] parks, interesting archit[illegible] and an active cultural life, [illegible] every day, the city's [illegible] problems seem to invade [illegible] "nicer" areas more and [illegible] air and noise pollution, [illegible] shortages and blackouts, [illegible]fic jams and beggars.

Putting House in Order Given Top Priority

(Continued from Page 1.)

and stabilize the currency, which was devalued with disastrous consequences last fall.

Equally important, he has adopted a quiet style of government—"actions not words"—and he has taken to praising businessmen for their responsibility rather than lambasting them for their unpatriotic greed. In an important symbolic gesture early in his administration, the President even traveled to Monterrey, scene of Mr. Echeverria's most bitter confrontations with the private sector, and lunched at the home of industrialist Bernardo Garza Sada, head of the powerful Monterrey Group.

In foreign affairs, the new regime's principal concern has been to repair relations with Washington, which had been damaged by Mr. Echeverria's Third World militancy. The new Foreign Minister, Santiago Roel, is unabashedly pro-American, while President Lopez Portillo was the first foreign leader to visit President Carter last February.

Serious bilateral problems remain, not least the Carter administration's plan to curb the flow of illegal Mexican migrants to the United States, but Mr. Lopez Portillo believes that bilateral problems should be resolved bilaterally and not by resorting to hostility in international forums. Domestically, this policy has been warmly welcomed by the private sector, which is highly conscious of Mexico's economic dependence on the United States.

Settlement of Mexico's long conflict with Spain was also popular at home, although its effect was quickly neutralized by disapproval over Mr. Diaz Ordaz's appointment as Ambassador to Madrid. The issue nevertheless required delicate handling since Mexico had long been the only country to recognize the Spanish Republican government-in-exile. With Gen. Franco dead and Spain moving towards elections, however, the Republicans agreed to "dissolve" their ties with Mexico, opening the way for Mexican recognition of King Juan Carlos in late March.

The economic justification for President Lopez Portillo's state visit to Spain last week—to be followed soon by a visit to Mexico by King Juan Carlos—was that Mexico can use Spain as a "stepping-stone" to Europe, while Spain can "re-enter" Latin America through Mexico. But, 167 years after Mexico's independence, the visit had all the trappings of a family reunion between the mother country and its largest and most important former colony in the New World. And if this were not apparent enough, Mr. Lopez Portillo even visited the Navarra home of his Spanish ancestors.

Political Lexicon

In less than one year, the guiding words of Mr. Echeverria's term in office—the Third World—have disappeared from Mexico's political lexicon. In his Inaugural Address and again in his State of the Union speech, President Lopez Portillo pointedly avoided using the words, although he reiterated Mexico's support for efforts to re-order the world economy. The omission, though, was significant because foreign affairs here are no longer dictated by links with Africa, Asia and the progressive nations of America nor, indeed, dominated by Mr. Echeverria's campaigns for Third World leadership, the Nobel Peace Prize and the U.N. Secretary-Generalship.

The re-emphasis of foreign policy has not been popular with leftist groups in Mexico who see it as evidence that the government is moving to the right. Yet Mexico continues to boycott Chile's military junta—relations were broken in 1974—and remains a haven for thousands of political refugees from the right-wing regimes of South America, principally Chile, Argentina and Uruguay.

One of the vulnerable points of Mexico's political stability has been the system's inability in recent years to incorporate all the important currents of political opinion. The long-ruling Institutional Revolutionary party (PRI) remains the elite's main instrument of political control and electoral expression, used both as a stepping-stone to power and as a reward for past loyalties.

But the three other legal parties have failed to attract the voices of dissent that have been growing since the 1968 anti-government protest movement. The Popular Socialist party and the Authentic Party of the Mexican Revolution are little more than adjuncts of the PRI, while the conservative National Action party has been so weakened by infighting that it has failed to perform as a true opposition.

As a result, the PRI has won all elections for president, state governor and senator since 1929 and at present it holds 196 of the 197 elected seats in the Chamber of Deputies. Through a system of minority representation, however, 41 opposition deputies also sit in the chamber.

President Lopez Portillo's objective is to give access to electoral office to the numerous opposition groups that are not now registered parties. A planned political reform will increase the size of the Chamber of Deputies—300 members to be elected directly and 100 through proportional representation—and make it easier for new parties to become legalized.

With a dozen or so leftist groups threatening to "fragment" the party system, the new registration requirements should encourage the formation of coalitions on the left. The Communist party will probably become legal for the first time in 40 years and should participate in the 1979 congressional elections, but the strength of other Marxist groups—such as the Socialist Workers' party, the Mexican Workers' party and the Revolutionary Workers' party—has still to be tested. On the right, the Mexican Democratic party, successor to the ultra-conservative Sinarquist Movement of the forties, is also seeking registration.

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Labor's Long-Term Prospects Raise Several Important Questions

MEXICO CITY (IHT).—Every morning, officials quietly pray that an overweight and ailing 78-year-old man has also woken up. The Mexican economic and political situation would be far from rosy were labor leader Fidel Velazquez not still around. Don Fidel, as he is known locally, has run the trade union movement since 1936 and today he is more powerful than ever. As so often with "caudillos," he has prepared no successor.

The immediate significance of Mr. Velasquez is that, during a period of economic stagnation, continuing inflation and controlled wages, the labor boss has prevented any serious outbreaks of worker unrest and has ensured the rapid settlement of the occasional strikes. At present, President Lopez Portillo owes more to Mr. Velasquez than to any other Mexican political figure. His continued cooperation is vital to the successful culmination of the government's economic recovery program.

Deeper

But Don Fidel's role in Mexican politics goes deeper than that. As head of the Confederation of Mexican Workers (CTM), the most powerful of the three sectors of the long-ruling Institutional Revolutionary party, he is in effect part of the government. He has never openly challenged any incumbent President. At the same time, he is outside Mexico's pyramidical system of authority because he has his own power base among the 2 million workers whom he represents and has benefitted.

In other words, Mr. Velasquez is a sort of transmission belt between the workers and the government, providing social improvements in one direction and delivering control in the other.

The then President Luis Echeverria discovered the true strength of Don Fidel when he tried to oust him in the early seventies. Anxious to liberalize Mexican society, Mr. Echeverria encouraged the formation of "independent" trade unions and sponsored a wave of newspaper attacks against the CTM boss. Even the then president of the party, Jesus Reyes Heroles, now ironically Interior Minister, was instructed to undermine Mr. Velazquez's position.

No Choice

But when the economic crisis began in 1974 and Mr. Echeverria found himself in conflict with the private sector, he had no choice but to turn again to Don Fidel for support. The price of this political volte-face was regular and massively inflationary wage increases for the organized labor movement, providing CTM members with the only available protection against the spiraling cost of living.

These wage hikes contributed enormously to the crisis that finally led to the collapse of the long-stable peso in August, 1976. But, as ever, Mr. Echeverria was willing to pay the economic price for political stability. And when it came to imposing his choice as successor on the party and the country, the President turned again to Don Fidel to make the crucial announcement that the country's next ruler would be the then Finance Minister, Jose Lopez Portillo.

On taking office last December, Mr. Lopez Portillo was both indebted to him personally and dependent on his support during the difficult months ahead.

His first gesture was to create a Workers' Bank to be controlled by the CTM. Then he ordered that trade unions should select which workers will receive credit from the National Housing Institute, a concession that Mr. Echeverria had never been willing to make. And since then, "independent" unions have also been less tolerated, to the point that a strike of university workers organized by the Communist party was broken by the police in early July.

From a social point of view, the main problem is that millions of workers do not fall under Don Fidel's protective umbrella. Because of the low age structure of Mexico's 64 million inhabitants, only 18 million people—or 28 per cent—comprise the economically active population. Of these, 7 million work in the countryside, either as migrant laborers or subsistence farmers, and have no union representation. Of the remaining 11 million, scattered through industry, commerce and services, only about 2 million are members of the CTM.

Unemployment figures are not available in Mexico, but because about half the work force is underemployed and not unionized, legal minimum wages are just one of the myths enshrined in the country's labor legislation. Profit-sharing and guaranteed access to social security are two of the many others.

The private sector, while disturbed by the growth of "independent" unions during the Echeverria administration, is essentially comfortable with the present state of labor relations here. The entire construction industry and small businessmen can ignore official wage scales and dismiss workers without compensation in the knowledge that unemployment levels make all non-union employees vulnerable.

Large-scale industry, including most foreign investments and the state monopolies of oil, electricity and railroads, are all unionized, although in some cases management has even kept the CTM away from their "in-house" and malleable unions.

Bribes

The endemic corruption of the union leadership offers a further alternative to many company managers who know that a well-placed bribe will often settle a strike more rapidly than a major concession.

For major industrialists, then, labor relations in Mexico are complicated and at times frustrating, but they are generally not an obstacle to production or profits.

More worrying are the long-term prospects for the Mexican trade union movement. How long can labor peace be guaranteed while prices continue to rise, unemployment grows and the private sector holds back investment? Just how strong is the government's control over the labor movement and how much has this position been eroded by the "independent" unions? Finally, will a fierce power struggle break out among the CTM bosses when Fidel Velazquez dies or is the institutionalization of the union movement more advanced than generally believed?

Extreme Delicacy

The fact that these questions have no clear answers reflects the extreme delicacy of the labor sector's role in maintaining political stability here.

Certainly, the government and private sector know that they do not want a labor movement such as exists in the United States and Western Europe, but they also have no clear idea of the sort of labor relations they would like in, say, 10 or 20 years. In a country that will be largely urbanized by the end of this century, with a potential work force of more than 30 million people, these questions cannot go unanswered.

Social Welfare System Plays a Major Role in Political Stability

MEXICO CITY (IHT).—Mexico has among the most advanced systems of social legislation to be found in the developing world, but it is still far from fulfilling its promise of social welfare for its population. It is, in fact, a well-entrenched Mexican tradition to enshrine "our socio-juridical values" in fine-sounding laws, although the rhetoric is not always empty.

Slowly and often belatedly, social benefits filter down through the population, and the welfare system is extended through the country. The only drawback is that Mexico's population and its problems are growing faster than the response from the government.

Major Role

A social welfare structure nevertheless exists and, over the past [illegible] years, has played a major role in maintaining political stability. The two groups with the greatest "revolutionary" potential—the [illegible] million civil servants and the [illegible] million organized workers—have been carefully coddled by successive governments, slowly forming a new middle class that is itself a guarantee against unexpected and unwanted change. The counterpart to this, of course, is that millions of slum dwellers and peasants live outside the umbrella of social welfare, invariably in deep poverty and insecurity.

Yet, compared to most developing countries, Mexico's priorities are clearly defined. This year, for example, only 2 per cent of the budget will go to defense, while 22 per cent is assigned to social welfare and half of this to education alone. During the administration of President Luis Echeverria between 1970 and 1976, expenditure in the countryside increased fivefold. New emphasis was given to resolving the problems of the country's 20 million peasants and 5 million isolated Indians.

President Lopez Portillo is also giving maximum priority to the rural sector, although his reasoning is broader than that of his predecessor.

Housing Shortage

Yet, given the formal goals of successive Mexican governments, inadequate living conditions prevail for most of the population. There is, for example, a shortage of some 3 million houses and, according to the last available statistics, almost 70 per cent of the population live in houses of just one or two rooms. About 37 per cent have running water in their homes; just as many have no nearby access to water at all. Some 58 per cent of the homes have no built-in drainage and only 31 per cent have bathrooms installed, although 58 per cent have electricity.

Full unemployment affects only about 8 per cent of the population, but this figure is meaningless in a country without unemployment benefits. Except for dependent youths, in fact, unemployment as such does not exist. Anyone out of a job simply becomes underemployed—cleaning shoes, selling candy, hawking plants or fruit, playing music or doing anything that will bring in enough pesos to see the family through the next 24 hours.

In the countryside, peasants may be kept busy on their subsistence plots for just three months a year. So they become migrant farm workers, following the seasonal crops in Mexico and, as "illegals," in the United States. In urban areas, slum-dwellers often depend on the construction industry for occasional jobs, although the slump in building this year has forced them to greater improvisation.

The first and most serious impact of the economic crisis has been on the nutritional levels of the population. The National Nutrition Institute believes that 90 per cent of Mexicans suffer from poor nourishment or undernourishment and it recognizes that protein intake has inevitably fallen with the hike in the price of milk, eggs and meat. The 1970 census indicated that 20 per cent of the population never eat meat or eggs, 43 per cent never drink milk and 80 per cent never eat fish. And there is no evidence that the situation has improved since then.

Effect on Nutrition

Yet, over the past two decades, life expectancy has risen sharply to 64.8 years and infant mortality has dropped to 48.8 per thousand. The health of at least part of the population has undoubtedly improved. Workers and their families with permanent jobs have access to the hospitals of the Mexican Social Security Institute and, since 1970, the number of such beneficiaries has doubled to 13 million. But while the Institute is wealthy and well equipped, the rest of the population depends on the hard-pressed services of the Health Ministry, which has a budget one-third the size of the Institute.

Constantly undermining the government's efforts in all areas of social concern is the country's booming population. Every year, 2.8 million more Mexicans are born, demanding medical attention, food and, eventually, education.

Some 750,000 graduates and dropouts look for new jobs each year. The momentum of the population boom will inevitably double the demand for social services over the next 20 years, before the new family-planning program begins to make any impact.

With the scale of the country's social problem, "gestures" by the government in this field are often almost meaningless. For instance, the National Housing Fund, which receives 5 per cent of all wages and is itself evidence of the state's good intentions, built just 24,000 houses during the past year. Yet Mexico City alone has a housing deficit of some 800,000 homes.

Similarly, the new Consumer Protection Agency is an ambitious project, but in practice it is able to protect only a small number of city dwellers.

Even the multiplication of the budget of the National Indian Institute over the past five years has helped draw national attention to the plight of the country's 50 or more tribes. But the Indians continue to live in dire poverty, being exploited by "middlemen" and losing communal land to powerful farmers who are often in league with local political interests.

Compared to many countries, Mexico does indeed give priority to social welfare, but so much more has still to be done.

One of Administration's First Problems—Getting Foreign Credit

MEXICO CITY (IHT) —It seems even more extraordinary today than it did at the time, that foreign bankers were willing to increase Mexico's public foreign debt five-fold during the government of former President Luis Echeverria—particularly since they knew that much of the credit was financing deficit spending and not productive projects. By not conditioning their loans, in fact, foreign bankers were merely deepening the economic crisis that led in August last year to the first devaluation of the Mexican peso in 22 years. Was the money market that liquid that Mr. Echeverria was allowed to do as he wished with the loans?

After the debacle of last fall, when some $4 billion vanished from the country and about 5 per cent of total Mexican bank assets were withdrawn in 24 hours, the International Monetary Fund at last stepped in to impose some order. And, almost coincidentally, President Lopez Portillo took office fully conscious that serious deflation of the economy was now unavoidable. The IMF placed a net foreign borrowing limit of $3 billion for 1977 and $2 billion for 1978, well below the $5.6 billion acquired by President Echeverria last year. So one of the first problems to confront the Lopez Portillo administration was to find anyone willing to lend to Mexico.

Convincing

Sustained by an $800-millon syndicated loan and $1.2 billion worth of credit from the IMF's special fund facility—both worked out last November—the new government decided to postpone further borrowing until foreign confidence in Mexico had recovered. In the meantime, however, top economic officials, including Finance Minister Julio Rodolfo Moctezuma Cid and Bank of Mexico director-general Gustavo Romero Kolbeck, began a series of visits to leading banks—up to now, some 400 have been visited—to explain the new administration's policies and to emphasize the country's rapidly growing oil and natural gas reserves. They were apparently convincing.

In March, placing the economy's best foot forward, the government sought a $300-million Eurocredit for the state oil monopoly, Petroleos Mexicanos, or Pemex. The issue was oversubscribed and eventually closed at $350 million. Since then, numerous other government agencies have successfully raised new credits or floated bond issues, among them the National Public Works Bank, the Nacional Financiera Development Bank, the Sugar Finance Corp., the Federal Electricity Commission, Telephones of Mexico and the National Foreign Trade Bank.

By the end of June this year, Mexico's public foreign debt had reached $20.5 billion. But since then further credits have been announced and a new syndicated loan from 33 U.S. and European banks of $1.2 billion—Mexico's largest ever—which is to be signed Nov. 7 should raise total indebtedness to $22.6 billion by December, with the 1978 debt servicing burden something in excess of $5 billion.

But while Mexico has kept within the IMF's borrowing limit during a period of deep recession, next year's $2-billion ceiling seems unrealistic if the economy is to resume its growth—particularly in view of the massive investment requirements of the oil, natural gas and petro-chemical sectors.

The IMF has been pleased by that fact that foreign credits—and significantly the latest $1.2-billion package—are being dedicated to infrastructural projects and not to finance the budget deficit. The IMF's mission due here in November is therefore expected *to show flexibility by allowing* carefully selected foreign loans above the official limit so long as they are production-oriented.

Private Sector

Financing for the private sector is still more of a problem. Mexico's domestic banking system was seriously debilitated by the outflow of funds that accompanied the final hysterical weeks of the Echeverria administration, and this money is only slowly returning to the sector. Of the estimated $4 billion withdrawn in 1975 and 1976, perhaps one-third has "returned," although much of this was merely money converted for short-term speculative reasons and was forced to return to replenish liquidity. The rest of the flight capital is either invested in real estate or fixed-term deposits in the United States, or is simply *awaiting an economic recovery.*

Credit is therefore tight, not only because the government is holding down money in circulation to slow inflation, but also because banks have no resources available to lend.

One of the government's primary objectives has thus been to stimulate domestic savings, both to recover last year's losses and to strengthen the entire banking system. One important factor has been the stabilization of the peso, which has prevented the attraction of high domestic interest rates from being wiped out by new "floating" devaluations. Other measures, aimed more at the psychology than at the pocket of the potential saver, have included the minting of 100-peso silver pieces and the promotion of 10 per cent petrobonds pegged to the world price of oil and backed by Mexico's own reserves.

High Liquidity

But most significant has been a restructuring of interest rates aimed at encouraging longer-term deposits. One of the principal vulnerabilities of the banking system has been its high liquidity, with almost 50 per cent of savings held in the form of "financial bonds" negotiable on demand. The administration hopes eventually to eliminate these wholly liquid bonds, but in the meantime it has sharply raised interest rates for periods longer than one year, reaching 18.52 per cent for periods exceeding two years. To stem the increasing amount of dollars in the domestic banking system—21 per cent of savings are now held in dollar accounts—interest rates for dollar accounts were also reduced in May this year.

The result of these reforms has been a doubling of new savings in just four months, enabling the government to begin releasing funds for key sectors, notably [illegible] million for producers of socially defined "basic goods"—excluding food—and $185 million for small and medium-sized industries which are relatively labor-intensive in their operations. The government's own success in raising its tax revenues by almost 80 per cent, higher even than the most optimistic projections, has also enabled the administration to resume public-sector investment.

Large-scale industry, however, is still having difficulty in raising capital for investment, with domestic interest rates high—about 24 per cent—compared to international borrowing rates, even if the funds were available here. Many Mexican companies are also carrying heavy dollar commitments acquired before the devaluation, creating payments problems which hardly entice foreign banks to increase their exposure.

'Future-Credit'

Through the Bank of Mexico and the Finance Ministry, however, the government enjoys wide powers to control both the availability and destination of credit. Most large banks—those with "multiple" financial operations—must now deposit 39.5 per cent of their liquid funds in a large reserve with the Bank of Mexico, funds which the state can use for infrastructural investments.

More recently, to reduce the temptation for Mexican companies to borrow abroad, the Bank of Mexico has also established a system of "future-credit" in which foreign exchange is deposited in the central bank and companies assume a related debt commitment in pesos. Some [illegible] million worth of these "future credits" have already been approved, although, once again, the government will be selective in its permits, aiming at projects that will stimulate productivity levels, exports or employment.

Significantly absent as a source of investment capital is the Mexican Stock Exchange. Because of tepid reforms, enacted over the years, the exchange is still unable to attract Mexican savers. The stock exchange is suffering along with the rest of the economy, but even in its structure it remains tiny, with some 400 companies listed but only about two dozen regularly active. In practice, neither small savers nor large companies turn to the stock exchange. And the banks, which would suffer were the exchange made more appealing by the enactment of fiscal measures, are happy with the status quo.

Nevertheless, given the dire situation inherited by the Lopez Portillo administration less than one year ago, its sound if austere financial management has succeeded impressively in rebuilding both foreign and domestic confidence in the economy.

Shattered Economy Has Bright Future in Rich Prospects of Oil and Gas

(Continued from Page 1.)

medium-sized companies, has also suffered from the slump in demand and the loss of liquidity resulting from tight credit. Many larger companies with dollar commitments before last year's devaluation have been forced to restructure their debts, often after it was apparent that they could not meet payment obligations.

For the second year running, the Mexican economy is therefore expected to register a growth rate in 1977 of about 2 per cent, well below the 3.2-per-cent growth in the population. Adding the factor of Mexico's poor distribution of wealth, per capita income for most Mexicans will clearly fall by much more than 1.25 per cent this year. For millions of Mexicans, in fact, the "economic recovery" has meant real hardship.

Despite the social pressures, though, President Lopez Portillo seems determined to press ahead with his economic strategy. Through a new administrative reform, he hopes to streamline the bureaucracy and bring a greater element of planning into the government. The reform included creation of a new Ministry of Budget and Planning, while he himself has taken the initiative of forming an "inner cabinet" of all the ministers involved in the economy.

Even during the depths of the slump, though, Mr. Lopez Portillo's war cry has been for organization and productivity, perhaps the two greatest needs of Mexico's economy. The country's peasant farmers, long both the beneficiaries and victims of state paternalism, are being asked to forget perennial struggles over land ownership and to concentrate on producing food. The private sector, alienated and embittered by President Echeverria, is being wooed to join in the Alliance for Production. Anti-business rhetoric from government officials is now taboo and the President himself has joined in signing ambitious joint public-private sector investment programs, including one in the northern industrial city of Monterrey, stronghold of opposition to the Echeverria regime. Finally, the huge state-owned companies and utilities, such as the oil monopoly, Pemex, the Federal Electricity Commission and the basic foods company, Conasupo, are being pressed to reduce inefficiency and corruption.

The recovery of basic confidence in the government and even the euphoria over the nation's oil resources have not of course meant an immediate economic recovery. New investment is still slow, partly because domestic credit is tight and foreign bankers are still wary of lending to most private companies and partly because, after normal investment programs were halted during the Echeverria government, it takes time to plan and build new factories.

Signs

Nevertheless, the government is now beginning to make available more credit on a selective basis—the freedom to lend of private banks is limited by the Bank of Mexico—in response to a rise of domestic savings. In addition, after its own strict austerity during the first eight months of the year, *the government is now stepping* up its expenditure, concentrating naturally on the oil and natural gas industries, but also funding expansion of electricity, steel and transportation.

The first signs of new economic activity were evident in the second quarter, after a first quarter in which most economic indicators fell compared to the same period last year. In May and June, for example, automotive sales surpassed last year's levels, while even the badly hit construction industry began to recover from its January-March all-time low.

But most government economists recognize that it will be several years before Mexico recovers the 6-per-cent to 7-per-cent annual growth rates that it enjoyed for a decade after 1964. They also feel that, from the point of view of sound economic management, the government should not be tempted to over-reflate the economy once the immediate crisis has passed. "Stop-Go" policies cause greater damage when they stop than they bring benefits when they go, as several Western European countries have learned to their cost since World War II.

Rather, the economic objectives must remain controlling inflation—a beast that will demand constant combat—and creating employment in productive industries. But it will also require great skill to adjust the economy to the country's *new oil* and natural gas wealth over the coming decade. All the economic premises of the past will require revision, new priorities must be drawn up, new development targets identified, new possibilities exploited. Certainly compared to most major oil-exporting nations, Mexico already has an *industrial* infrastructure of significance and need not therefore start from scratch as even Venezuela would appear to be doing. In addition, having long ago nationalized its oil industry and having no interest in joining the Organization of Petroleum Exporting Countries, Mexico is exempt from the conflicts of world oil politics, its principal market near and *secure north of the border.*

Changes

One of the most important changes of attitude to have occurred in recent months, in fact, is the sudden awareness of Mexico's economic interdependence with—if not sheer dependence on—the United States. *The simple fact of a 2,000-mile* common border made it easy for Mexicans to ship their money out of the country last year and made it impractical for the government to impose exchange controls. Yet the devaluation of the peso also badly hurt the economies of the American states along the Mexican border which had long benefitted from the expenditure of Mexican border residents and the traffic of contraband to the south.

Similarly, Mexico is happy to sell its oil and natural gas to the United States and, while leftists here feel this involves deepening the country's dependence on its neighbor, it also creates a balancing dependence by the United States on Mexican energy supplies. And, if by the early eighties, Mexico is supplying 4 per cent of its gas and 5 per cent of its oil needs, then interdependence will be a reality.

Recession Reduces Trade Deficit

(Continued from Page 1.)

to Switzerland, but he discovered too late that Swiss paper currency *is larger than that of* Mexico.

After a couple of unsuccessful efforts and considerable hassle, however, most Mexican producers prefer to forget the world and concentrate on their captive domestic market.

Many government economists in fact believe that the only way that Mexico can become export-oriented is to reduce industrial *protectionism. At present, many* Mexican-made products are protected by a complicated system of import licenses which has the effect of keeping out competitive foreign products. Domestic prices are therefore allowed *to rocket,* not infrequently helped along by dubious oligopolistic practices. Rather than control prices directly—although it does so for staple products—the government is planning to substitute import licenses for tariffs.

This new policy will have the effect of allowing foreign-made products into the country with, say, a 30-per-cent import duty. But even with this differential, Mexican competitors will have to improve their quality and eventually, as the tariffs themselves are slowly lowered, they will have to lower their prices. They will then have the choice of becoming more efficient or going out of business. Already tariffs have been imposed for some 800 of the roughly 3,500 products that have traditionally been protected by the import license system.

There is *of course considerable* resistance from the private sector to these measures and it will be a test of the new government's strength to see if it follows through with its policy. Yet it is the only way that Mexican industry can achieve a level of efficiency that would make exporting attractive and viable.

The government is particularly anxious to drop protectionism for domestically made capital equipment on the rational grounds that high-priced or low-quality machinery injects inefficiencies throughout the entire manufacturing process. Similarly, new foreign investors are being offered a captive domestic market only on condition that an important share of production will be destined for export, itself a guarantee of efficiency.

President Lopez Portillo's decision to allow the Mexican currency to continue to float will at least insure that prices here do not get too far out of line with *international levels.* When the peso abandoned its 22-year-old fixed parity with the dollar in August, 1976, it was overvalued by about 40 per cent. Since then, it has floated down by 45 per cent and should continue to absorb local inflation, running this year at about 20 per cent.

Compared to these tariff and monetary decisions, fiscal incentives for export are still relatively *unimportant. The Certificates for* the Return of Export Taxes known here as CEDIS, have been revived on a selective basis, but nothing comparable to Brazil's system of export stimuli has yet been considered.

Yet despite the insularity of the Mexican economy, the country is in a privileged position, sharing a 2,000-mile border with the largest market in the world. It is *true that the United States has* an irritating array of tariff and non-tariff barriers which many Mexican exports must surmount. But producers from Taiwan or Italy or Brazil succeed in doing so and they do not have the advantage of lower freight costs.

Despite Mexico's political dream of diversifying its trade away from the United States, then, the economic logic is to concentrate its export campaign on its northern neighbor, with which it has traditionally suffered a large trade deficit. Already, the United States is the main buyer of Mexican oil, natural gas, shoes, tomatoes, shrimps, coffee, strawberries and textiles, but Mexico's relationship with the United States will only go from dependence to greater interdependence once it is also selling large quantities of manufactured and semi-manufactured products.

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Changed Mood Welcomes Foreign Investors

Mexico's market is now large and attractive enough for it to lay down basic conditions.

MEXICO CITY (IHT).—President José Lopez Portillo's [gov]ernment has already demon[str]ated that, in foreign eyes at [lea]st, the problem with President [Lu]is Echeverria was not what he [did] but what he said. The [form]er President's anti-business [mea]sures were mild compared to [his] rhetoric, but both Mexican [and] foreign investors were duly [fri]ghtened away. Now, no laws [ha]ve been revoked, but the mood [ha]s changed.

[U]nder President Echeverria, [fore]ign investors had to face new [law]s regulating foreign invest[men]t, the transfer of technology [and] inventions and trademarks. [But] they learned to live with [th]ese more than with the atmo[sph]ere of official hostility towards [the] private sector.

[N]ow, even though the laws con[tro]lling their activities are still [in] effect, foreign investors are [on]ce again being drawn to Mexi[co]. New foreign investment [rea]ched a high of $362.2 million [in] 1974, then fell to $295 million [in] 1975 and to $273.8 million last [yea]r. In the first quarter of this [yea]r, as the new government set[tled] in and investors adopted a [wai]t-and-see attitude, new for[eign] investment was a negligible [...] million. In the second [qua]rter it jumped to $128.4 mil[lion], evidence of a major resur[gen]ce.

Quicker

These statistics reflect the rate [o]f approvals of applications for [n]ew investment permits by the [N]ational Foreign Investment [Co]mmission, showing an accelera[tio]n of bureaucratic procedures [in] recent months. To prevent [un]important applications piling [up], the Commission's executive [sec]retary has now been given [aut]hority to approve new eco[nom]ic activities, new products, [sha]re transfers among foreigners, [pur]chase by foreigners of small [num]bers of shares and changes [of] locales by foreign investment. [The] commission itself, on the [oth]er hand, will deal with large [inve]stments requiring "flexible" [inter]pretation of the law.

[T]o a large extent, the 1972 [Fore]ign Investment Law merely [bro]ught together all the multiple [law]s and regulations previously [gove]rning foreign investment. It [st]ated, for example, that only [the] state could participate in oil, [natu]ral gas, uranium, electricity, [rail]roads and telegraphics and only Mexicans could invest in radio and television, road transportation, domestic air and maritime transportation, forestry and gas distribution.

Foreign ownership for all other new investment was limited to 49 per cent, except for reserved minerals (34 per cent) and secondary petrochemicals (40 per cent), although the commission retained the power to modify these percentages. All existing foreign investments must be registered with the commission and all new investments, acquisitions or expansions must be approved by the commission.

The key to the new law was the state's desire to channel foreign investment to sectors that contributed most to the country's development. At present, for example, of an estimated 4,083 companies with foreign participation, 2,105 are in manufacturing, 919 in commerce, 777 in services and 282 in various others. The government feels little need to approve new foreign investment in commerce and service-oriented sectors. It naturally favors investment in heavy industry or in a company exporting a significant amount of its products, creating a relatively large number of jobs or helping develop depressed regions.

"We maintain an attitude of absolute respect towards foreign investment within the context of existing legislation, which will be preserved," President Lopez Portillo said in his State of the Union address last month. "We reiterate our basis that it is up to the receiving nation to define the areas of activity and regulate the behavior of foreign investment."

In absolute terms, because of the state's control of the basic economy, foreign investment is not of overwhelming significance, with a total value of about $4 billion compared to a gross domestic produ[ct] of $70 billion in 1977.

But foreign investment is concentrated in certain highly visible sectors, such as automobiles, food processing and pharmaceuticals, that inflate its socio-cultural impact. Many companies, not least Chrysler, Ford and General Motors, remain 100 per cent foreign owned.

The concentration of foreign ownership in American hands also gives special significance to the investment. According to officials, 72.2 per cent of foreign investment here is American, 5.8 per cent is West German, 4.7 per cent British, 4.2 per cent Swiss and 1.9 per cent Japanese. The American Chamber of Commerce in Mexico is the largest in the world in terms of members.

One of the drawbacks of foreign investment in developing countries is that, almost by definition, it is capital intensive. Yet most foreign investors come here in the hope of enjoying a captive domestic market. Mexico is, therefore, logically arguing that, in a nation with chronically high unemployment, capital-intensive foreign investment is generally only justified if large amounts of exports are to be produced, thus making Mexican products competitive abroad.

Domestic Market

Investors interested only in the domestic market will be expected to make available large numbers of jobs as well as prove that they are importing a special skill to the country. The period of indiscriminate import substitution is over. Most consumer products are already made in Mexico. The challenge now is to make them competitive abroad.

This is one of the objectives of the Law on the Transfer of Technology, adopted in 1973, whose premise was that Mexico was receiving foreign technology that was often too expensive and outdated and was sold with absurd restrictions on its use. The law established that all technology contracts must be presented to the National Registry of the Transfer of Technology. They [ma]y not be approved when they involve technology already freely available here, when the price is excessive, when the purchaser of the technology must share his patents and innovations with the vendor, when they are linked to equipment sales, when they restrict freedom to export, when they control sales levels or prices and when they exceed 10 years in duration.

As with the Foreign Investment Law, protests immediately followed its approval. Companies have reluctantly come to accept it, and few independent observers would question that it is beneficial to Mexico.

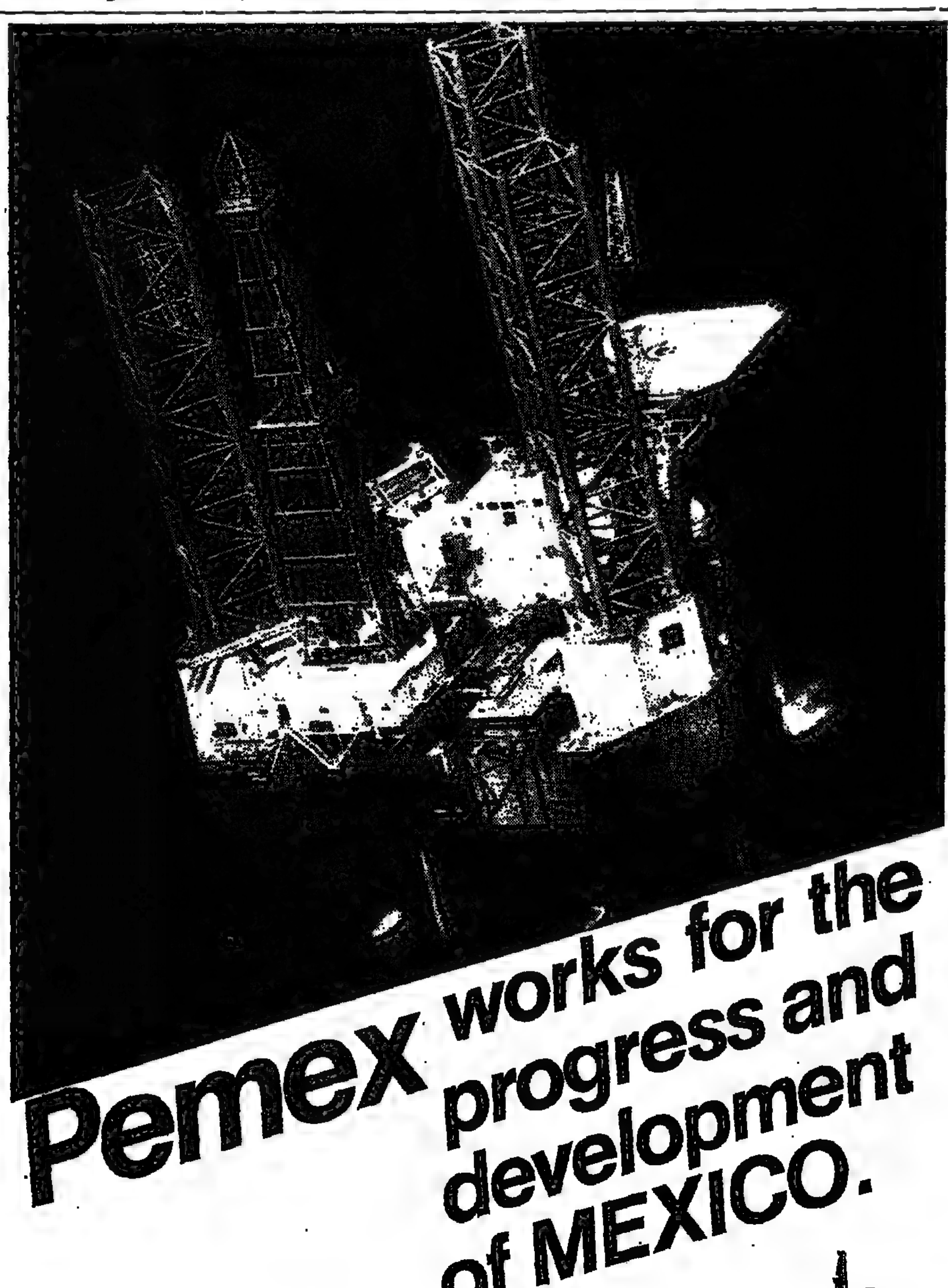
More Controversial

The new Law on Inventions and Trademarks, adopted under President Echeveria and coming into effect under President Lopez Portillo, is more controversial. It establishes a linkage provision requiring that foreign trademarks be associated with trademarks registered in Mexico, which must be in Spanish or at least phonetic Spanish, such as Gillette-Bravo and Goodyear-Oxo. The law also obliges owners of trademarks to use generic terms instead of specific trademarks or a single trademark for the same class of products, when the public interest requires.

These measures are clearly aimed at pharmaceutical companies who increase prices simply by adopting or changing a trademark. With some companies discontinuing trade here because of the law and others unlikely to meet the Oct. 17 deadline for compliance with the linkage provision, the government may soon face the dilemma of interpreting the law strictly or quietly backpedaling.

As a country so close to the United States and so vulnerable to outside influences, Mexico is understandably anxious to reaffirm its cultural as well as economic identity. The measures it has taken in the whole area of foreign investment are entirely in line with those adopted by other developing countries and recommended by different United Nations bodies.

Clearly, Mexico still needs foreign investment, as much for its modern technology as for its export capability, but its market is now large and attractive enough for it to lay down basic conditions without fear of losing capital.



ESTADOS UNIDOS MEXICANOS

Petrochemicals Seek Place in World Market

MEXICO CITY (IHT).—Riding the crest of a domestic oil boom, Mexico's petrochemical industry will produce roughly twice as much this year as in 1970, and three times that amount in 1982. The government's Petroleos Mexicanos (Pemex) will invest more than $2.5 billion to triple its capacity, and the private sector, though limited to secondary petrochemicals and no more than 40-per-cent foreign equity, will not be far behind.

"The grand illusion is fast becoming reality," said Pemex petrochemical planner Cesar Bautista in a recent talk to chemical engineers. "Already we are opening plants equal in size to any in the world and building even bigger ones. We are on the way to becoming world figures in the petrochemical market—permanent exporters, not just marketers of temporary surpluses."

The program as announced this year was already partly under way when the current administration took over. Within the last two months Pemex finished its fourth gas sweetener plant in Chiapas and an important ammonia pipeline to Salina Cruz. This year as well, it inaugurates twin ammoniac plants in Cosoleacaque and a polyethylene and ethylene plant in Poza Rica.

By 1982, if the ambitious plan is completed on schedule, Pemex capacity will have gone from approximately five million metric tons per year at present to 18 million; its total plants will increase from 65 at present to 120. And production, roughly four million metric tons last year, should be about 15 million.

The strategy calls for special emphasis on basic high-demand products easily marketable in international markets, such as ammoniac, ethylene and basic derivates.

"Our ammoniac plant will increase from 3,000 metric tons daily production to 7,000 this year and then gradually to 13,000 metric tons daily by the end of 1982," Mr. Bautista said. "We are going to become permanent large-scale exporters."

Ethylene plans go far beyond the 182,000 mtpy (metric tons per year) plant scheduled for completion in Poza Rica in December. "We are already building a half-a-million-mtpy plant at Cangrejera, we will build another at Allende (Veracruz) near the port at Pajaritos, and a third at a site not selected yet," Mr. Bautista said.

"From a present capacity of 240,000, we will grow in six years to a two-million-metric-ton-per-year capacity, making us bigger in this product than all the rest of Latin America combined."

Capacity

Ethylene will be used to produce polyethylene in new plants totaling 200,000-mtpy high-density and 480,000-mtpy low-density polyethylene in 1982, in addition to 99,000-mtpy existing capacity for low density. It will also feed 300,000-mtpy capacity of ethylene oxide plants planned, plus 400,000-mtpy new capacity in vinyl chloride and 200,000-mtpy new capacity in acetaldehyde.

Aromatics capacity will increase from 310,000 mtpy at present to 3.25 million by the end of 1982, with special emphasis on paraxylene and benzene production of 340,000-mtpy new capacity and 299,000 mtpy, respectively.

To exploit abundant quantities of new natural gas, a cracking plant will produce 300,000-mtpy propylene, feedstock for a 100,000-mtpy polypropylene plant, two new acrylonitrile plants and at least one propylene oxide plant.

With all of this to highlight its primary petrochemical development, Pemex has been pushing for growing downstream industries based on private investments in secondary petrochemicals, where Mexican law allows up to 40-per-cent foreign ownership. The Lopez Portillo government's Alliance for Production program includes an agreement for $1.05 billion private-sector investments, in return for permanent consultation with Pemex on feedstock plans and achievements.

Private-sector investment has been quick to answer the call. Private companies had accumulated investment of an estimated $1 billion at the end of last year, with authorizations for another $100-million expansion in calendar year 1978.

This year operations were st[...]ed up at CYDSA-Bayer's 3[...] mtpy toluene disocianate p[...] and at nearby Fenoquimia, [...] a partnership of Celanese [...] Resistol (Monsanto mino[...] producing 125,000-mtpy ph[...] in Coatzacoalcos.

Polycid, a joint venture of Mexican CYDSA group and Goodrich, is planning a 10[...] mtpy investment in poly[...] chloride in the same area. Guanos y Fertilizantes, S.A., state fertilizer monopoly, h[...] 500,000-mtpy urea plant prog[...]med, also in Coatzacoalcos, [...] a 330,000-mtpy plant in const[...]tion in Salamanca, Guanaj[...]

Despite the increases and investments, Mexico is still a[...] importer of petrochemical p[...]ucts, at the rate of 317,000 m[...] tons last year, mainly basic f[...]stocks. Pemex projections i[...]cate self-sufficiency being re[...]ed sometime during 1979.

—E. R

Country Has Giant Oil Resources

(Continued from Page 1.)

through oil, while only 37 per cent comes from hydroelectricity, geothermic power and coal. But with oil more valued than ever, the objective is for the share of oil-fired electricity to drop by 10 per cent by 1986, with 46.7 per cent of all electricity coming from hydroelectricity, coal, geothermic power and, by then, nuclear energy.

The immediate emphasis is on hydroelectric energy, with the Federal Electricity Commission rushing to complete the complex at Chicoasén, which will have a final installed capacity of 2.4 million KW and will join the La Angostura and Malpaso Dams as part of a hydroelectric network in the southern state of Chiapas. Even after Chicoasén's completion, though, the hydroelectric potential of the region can still be doubled with dams projected at Itzantum, Peñitas and Boca del Cerro.

Coal

In the Northern state of Coahuila, some 240 million tons of coal deposits are to be used to fire the thermoelectric plant planned for Rio Escondido. Its initial capacity will be 1.2 million KW, rising later to 2 million KW. At Cerro Prieto in Baja California, a geothermic plant is now operating with 75,000 KW capacity, but this will be raised to 325,000 KW by 1982, while geothermic steam has been identified at Los Azufres in the state of Michoacán which could support a one-million-KW plant.

The biggest disappointment so far has been the country's first thermonuclear plant at Laguna Verde in Veracruz state which, because of technical errors, is now at least four years behind schedule. With two nuclear reactors supplied by General Electric, the plant should eventually have an installed capacity of 1.3 million KW when completed in the early Eighties. With reserves of some 600,000 tons of "yellow cake" uranium, located mainly in the state of Chihuahua, Mexico should also be planning further nuclear plants for the last decade of the century.

While facing the challenge of providing electrical energy for cities and industry, the Federal Electricity Commission is also still struggling with the problem of meeting the needs of widely scattered rural popula[...] which still comprises 40 per [...] of the country's 64-million [...]ulation. At present, an estim[...] 25 million Mexicans do not [...] light in their homes, but u[...] concentrated rural commun[...] can be formed from tiny h[...]lets and villages, the cost of [...]plying them will be overwh[...]ing.

From a macro-economic p[...] of view, though, energy is ra[...] becoming the driving forc[...] Mexico's development. Ironi[...] this also occurred in the fi[...] when the government subsi[...] oil and electricity prices in [...] to stimulate industrialization, [...] price of this, however, was fi[...]cial crises for both Pemex and [...] Federal Electricity Commis[...] Now, with prices adjusted to [...] levels and new supplies bec[...] available, the next challeng[...] Mexico is to use its dom[...] energy and foreign oil reven[...] transform its entire economi[...] look. Petrochemicals, steel, [...] fertilizers are the obvious s[...] for rapid expansion, but the [...]pulse should work its way th[...] the entire economy during [...] next two decades.

MEXICO: A NEW MODEL FOR DEVELOPMENT

The economy at the beginning of the new administration

Mexico's Treasury Minister, Julio Rodolfo Moctezuma, recently paid a visit to New York City as the President's personal envoy to preside over the Mexican Independence Day celebration there.

As part of the event the treasury official pronounced a speech of great clarity, and in which he underscored the fact that the economic crisis Mexico has been faced with for more than a year actually harks back to much earlier developments.

When President Jose Lopez Portillo took over the reins of the government on December first, 1976, said the spokesman, the country was pressed by severe economic woes, fundamentally because the falloff of activity in the various economic sectors coincided with a high rate of inflation, a growingly unfavorable trade balance, and a deterioration of public finances, not to mention the then limited possibility of increasing private investment and the manifest flight of capital from the country, all of which culminated in the peso's devaluation of August 31st of last year. The outlook was not, however, entirely bleak, since the straightforward exposition of the country's economic situation by the President in his inaugural address received the vigorous applause of the Mexican people, certainly the best guarantee that the crisis would eventually be surmounted.

In its first ten months the new Administration in Mexico has achieved the most important of its aims in this first stage of recovery—the regaining of the people's confidence and the launching of its program to get the economy into full swing again.

Background facts of the country's stability

Until the late 1960's, Mexico had for many years held sway over the rest of Latin America as a country noted for its economic and political stability.

More than 40 years ago Mexico ceased to be ruled by strongmen, and became a nation governed on a solid institutional basis. Development was made possible mainly due to an unshakable political stability derived from a vigorous majority party. On the economic side of the picture, prices were held to moderate increases, parallel to which there were wage hikes every two years, while the peso's dollar parity remained fixed for a period of 22 years.

These key features of the country's political-economic system slowly came under pressure and eventually ended in the loss of the traditional equilibrium. Galloping inflation ensued, making it necessary to compensate for lagging workers' buying power with yearly wage hikes plus emergency increases in their take-home pay. At the same time, more and more recourse was made to foreign loans, joblessness rose, recession arrived, and for lack of sufficient intake, the financial system was disrupted. Then, finally, came currency devaluation and the flight of capital, the latter a product of distrust.

Of the underlying elements in Mexico's decades-long development record, only political stability now remains. Since the system was first established, the Institutional Revolutionary Party has invariably rested its power on its firm understanding with farm and city workers, as well as with a large number of middle class organizations representing different sectors and groups.

In the teeth of the economic crisis, the new Administration is acutely aware that the sway of the ruling party could be seriously threatened should it not widen its grass roots backing and participation by channeling popular demands within Mexico's democratic framework. As a first step aimed at maintaining stability a political reform project was proposed and implemented in order to bring all present currents of Mexican political thought into organized and free play. In accordance with this, reform firstly foresees a larger role in the legislative branch of government of those political groups representing the country's major divisions of public opinion.

Organizing to organize

The Mexican public sector has undergone swift growth and great diversification in recent decades, very notably in the area of state-owned companies, in order to cover and fully meet the new needs created by the country's economic development. However, the development and growth of the federal administrative machinery did not escape operational efficiency problems, which in turn translated themselves into wastage of resources, duplicity of function and less-than-satisfactory coordination in governmental actions.

Thus, from the very first days of his administration, President Lopez Portillo, convinced that organization is best achieved through getting organized, has pressed forward the Administrative Reform which has already modified procedures previously regarded as inalterable and which has encouraged the government to take firm steps in the direction of innovation in the area of administrative systems. This experience has resulted in the passage by Congress of the new Federal Public Administration Law.

This Reform is considered by the government as one of the changes needed to bring about the basic transformation the country is demanding at this point of its development. It is conceived, as well, as a permanent and systematic effort to make the moves taken by public sector agencies more rational and dynamic.

The goal is to forge the complex governmental apparatus into an effective instrument of clearly defined areas of responsibility in which federal decision-making actually leads to the results demanded by the Mexican public.

The Reform provides for an overall, participative type of planning mechanism covering federal efforts which range from the generation of information to the assessment and constant re-tuning of individual and group tasks.

Administrative units were thus organized on the basis of sectors of activity, this in an attempt to force the capacities of the various units to dovetail and lend themselves to a congruent overall plan which at once is able to relieve the pressures brought to bear by the present crisis and establish the structural changes needed for further development—all within duly budgeted and financed programs.

The present government also seeks to institutionalize the programming actions taken by federal offices, set up a priorities system with specific objectives and goals which are understandable, and therefore viable, for both public servants and the general public.

Economic and social programming is the government's main tool, in view of which policy makers are anxious to establish a permanent link between ends and means in order to guarantee that programs be carried out as planned toward specific goals.

Consequently, agencies directing under the executive branch have been grouped into units responsible for given sectors, each being in charge of the planning and carrying out of the policies to be followed in individual sectors of activity. The units are empowered to coordinate decentralized agencies, state-owned companies and trust funds within the sector charged to each.

Alliance for production

With its economic policy the new Administration has shown its decision and optimism by launching a development program in which the greater social good and increased production are the main goals.

In order to re-establish an atmosphere of confidence and encourage production efforts, the President has called on all productive sectors to join forces within the framework provided by so-called Alliance for Production, an instrument with which the Administration aims to achieve the responsible participation of the Mexican people in surmounting the present crisis. The purpose of the Alliance is to reach a steady development rate on the basis of increases in productivity and to achieve improved living conditions for the population in general through a more equitable distribution of regional and individual income.

The government launched a number of sectorial programs included in its overall program in order to give the actions of the public and private sectors orientation and a framework within which to take place.

Meanwhile, as an immediate aim of its development strategy, the government is bent on slowing the inflationary process, reducing the deficit in the trade balance, straightening out public finances, taking in and allotting sufficient funds for top priority activities, and consolidating the foundations of real economic development.

The ultimate objective of the Alliance is to keep prices and wages in balance, in part, as the inflationary spiral flattens, to help out the lower income sectors of the populace, and in part to facilitate productive investment, job creation and rational use of available resources by high-income groups.

Every sector in the country responded favorably to this appeal made by the Alliance for Production. Workers moved in a high spirit of cooperation, with the bigger labor unions calling a truce in their wage demands; farmers are aware that the most important thing for them is to organize in order to produce more; management has accepted its own responsibilities in the crisis by promising to increase output and productivity while creating new jobs; merchants are supporting the Alliance through a more efficient distribution of goods; and the government has reorganized to carry out its tasks more efficiently.

New financial system

The Mexican economy operates within a mixed system of state and private participation in which the government produces the essential items and private initiative works in a wide variety of fields. The present Administration has very clearly defined this situation in stating that it is the role of the state to determine the overall dynamics of the economy. This involves the direct subordination of public spending to the nation's scale of priorities and the orientation of private sector activity to meeting those priorities by accenting higher production levels and maximizing economies.

This was the purpose behind the government's designing and implementing an overall program, which brings the sectorial programs together into an all-embracing federal scheme of action.

In order to achieve the objectives foreseen in the overall government program and reach the more immediate goals of economic policy, it became absolutely necessary to revamp the financial system with an eye to increasing federal revenues—mainly in Mexican currency—allotting resources to priority sectors and solving the problems brought on by the flight of capital and operations in dollars.

To reach these goals new financial mechanisms were created, and those established but still operative were strengthened. On May 23rd, 1977, new interest rates were put into effect as a premium for domestic savings. The new rates on peso deposits came to as much as 16% net per annum in the case of two-year deposits.

Interest rates applicable to intake in foreign currency were also raised, bringing them to the level prevailing in the Eurodollar market; the high interest rates previously enjoyed by big savers were extended to small investors; to the multiple or composite banks to cut costs and increase competition among them; and reserve requirements have been shaved down in order to funnel a greater volume of savings into investment projects.

Other measures include the designing and market placement of new savings instruments such as the petrobonds, which are profit sharing certificates guaranteed on the basis of the country's oil resources. In another step gold coins were issued in order to slow down the process of trading pesos for dollars.

To make needed funds more available to corporations, the National Securities Commission was strengthened further. While maintaining that agency's regulatory and monitoring functions, the idea is to establish it as a developer of the securities market's variable income potential, for which purpose brokerages were granted preferential tax treatment. Furthermore, corporations were given authorization to issue signature-guaranteed bonds through the stock market if they can show proof of their financial stability.

In order to align government finances with Mexico's developmental goals, at the close of 1976 Congress passed the Public Debt Law where requirements and standards are set forth for the public sector as concerns the obtaining and use of loans, particularly those contracted abroad.

In accordance with the aims of the government's program, the net foreign debt expected for 1977 will be about one half the total for 1976, thus marking the beginning of a process of more generation and greater utilization of domestic savings. Efforts have also been made to improve the overall makeup of the foreign debt.

As concerns the exchange rate, the new Administration decided that it should be just one more instrument within the general scheme for financing development, rather than the point on which production hinges. It has therefore been considered convenient to maintain the flotation of the peso for as long as needed, particularly in view of the fact that this is an ideal means of discouraging speculative operations and reducing dollar transactions in the banking system.

In outlining his policy during his inaugural address, President Lopez Portillo said that the time had come to abandon what he called a fiction economy. A fundamental part of the return to a realistic approach has been the fight against persistent operations in dollars, a heavy burden for the investor forced to use funds in that currency because of the risk added to his projects. This is unfair, the President has pointed out, since the investor is the most useful and risk-taking element in the economic process.

With the purpose of putting a stop to speculation against the peso and speeding up non-dollar operations the double quotation system was implemented in the dollar exchange market, distinguishing, however, between quotations for operations in cash and operations with documents. As of July 11th of this year, Mexico's central bank has charged 15 centavos for each dollar given in support of the commercial banks, and it was later decided that the central bank would take the exchange risks involved in dollar loans for industry.

An anti-inflationary policy has been indispensable to brighten the outlook for consumers and the saving public, hold down speculation on the exchange market and help the Mexican currency to play a fuller role in the attraction and channeling of funds.

All these moves have led to a notable reduction in price increases. The alarmingly high rates of increase reached last October and November —8% per month—have been pulled down to 0.7% and 2.8%, respectively, in the first two months of the second semester this year.

The Mexican economy, after having run into serious problems in 1976 when there was little growth in industrial activity and a no-growth result in agriculture, is showing signs that the worst of the crisis is behind: the productive machinery is making adjustments and returning to normalcy, the inflation rate is down, there have been no sudden or erratic changes in the peso float, and intake by the banks is rising with the peso making up an ever larger part of the total.

Another cheering signpost in the general re-accommodation of the economy has been the continuous inflow of foreign capital because of the country's political stability and, more important still, thanks to the clarity of the official rules as concerns the how and the where of opportunities. Foreign investment is indeed welcome within the framework of Mexican law.

Oil

The exploitation of Mexico's petroleum resources has come to be one of the main pivots in the present economic recovery, both because that industry supplies raw materials to manufacturers and because demand for energetics is now good in international markets.

Recent discoveries of petroleum deposits insure full supply of energetics to meet domestic needs and guarantee a surplus for exportation. Proved reserves now stand at 14 billion barrels, and ultimate potential is placed at 60 billion barrels, thus making Mexico one of the major oil countries in terms of reserves. At present crude output has reached the 1.1 million barrels per day level, and by 1982 daily production is expected to be more than two million barrels.

The Mexican government is keenly aware that the country's economy must not rest on oil alone. However, it estimates that sales of that product and its derivates will be a solid support for improving the balance-of-payments situation.

This is why a gas pipeline is scheduled for construction between the southern state of Chiapas and the northeastern state of Tamaulipas. The project will supply gas to several large industrial zones and facilitate exports of surpluses to the United States with transportation costs kept at a minimum.

The outlook

A number of factors joined in the first semester of this year that helped end the economic standstill. Overall demand is up. More and more credit is becoming available, thanks to the new intake instruments. Price increases, meanwhile, are slower, whereas there has been an improvement in the current account and in the performance of public finances.

Also lending support to the new economic scenario has been the opening up of new oil fields, meaning that earnings from crude exports will begin to flow in in the not-distant future.

The results of the program-mindedness of the Administration and of its many recent moves, including, for instance, the Public Administration Law, have all helped the public sector to streamline its activities.

Last but not least, Mexico's stable political climate has lent itself to a closer understanding among the different sectors of the population, while also encouraging their united effort, a fact which will be further strengthened by the government's Reform Policy.

Yet the economic scene is not to date one of total solutions. Mexicans are aware, rather, that they must work even harder together in order to eventually achieve a better economic and social situation.

هكذا من الأصل

A Dynamic Financial System Boosts Growth

SAO PAULO (IHT).—One of the most significant achievements of the "Brazilian miracle" is the creation, often with daring and imagination, of a dynamic financial system. The system effectively mobilizes domestic savings, distributes capital, and provides the monetary authorities with mechanisms to direct development and control the level of economic activity.

The importance of this accomplishment should not be underestimated. Pouring in money is not enough to get a less developed economy onto a sustained growth path if the investment is not accompanied by institutional development to sustain the momentum. The growth of Brazil's financial system is a vital part of its rush to escape poverty.

But the system is still developing, often pushed by government fiat into new moulds. "We have seen, under this government, less spectacular growth but some of the most significant legislation developing new institutions," says Donald Pearson, the Midland Bank representative in Brazil.

The Development

Although most of the parts which now comprise the system existed—at least in name—by the early 1960s, they were inadequate for a rapidly developing economy. Traditional family-owned commercial banks dominated the system and their deposits financed more their owners' ventures than the needs of industry and commerce.

Real financial development dates from 1964-65 with the Bank Reform Law, the Capital Markets Law, and the creation of the monetary correction indexing system in order to moderate the effects of inflation. In the time since, a stock market, a money market, a savings system, the Banco Central and a series of institutions including investment (merchant) banks, finance companies, and development banks have been put on a solid working foundation.

They have not been cheap. Finance Minister Mario Henrique Simonsen has estimated that rescue operations to shore up failing institutions or pay off their debts have cost well over $2 billion, of which about half is unrecovered, but their contribution to Brazil's economic growth is immeasurable.

Focus

The result is a mixed system of public and private enterprise in which the state's agents, the Banco Central, the Banco do Brasil, the National Economic Development Bank (BNDE), the National Housing Bank (BNH), and the Federal Savings Bank (CEF), are the heavyweights.

Specialization is an important characteristic. The original model divided capital sources among different types of institutions and placed some control over the use of funds. As the system grew from paper to reality, distortions and abuses pushed the monetary authorities, who were in the process of establishing control, to increase the level of specialization.

Specialization creates problems by introducing rigidities—the housing finance system, for example, now attracts more money than it can apply—but Horacio de Mendonça Neto, head of IBMEC, the capital market training and research institute, argues that specialization focused the system on new areas and developed new skills.

Recently, financial conglomerates comprised of several different types of institutions and supported ideologically by the Banco Central have been organized.

The success of the model has been remarkable. Brazil raised domestically vast amounts of savings, and the financial system has played a key role in the flow of close to $28 billion in foreign capital to Brazilian takers. Partly as a result of financial development, gross fixed capital formation increased from 18.5 per cent of gross national product in 1965 to 25.7 per cent in 1975.

IBMEC's Mr. Mendonça says, "One of the essential problems of any financial system is how to raise long-term financing for companies. With the internationally recognized creativity of the Brazilian authorities, we found a solution in forced savings." The solution, however, brings problems.

Stock Market

Forced savings programs may inhibit voluntary savings, and the government is now virtually the only domestic source of long-term financing. The private sector constantly howls about increasing state control.

The Geisel government has taken important steps to develop the stock market, notably by strengthening institutional investors in order to bring more funds and sophisticated analysis to buy and sell decisions. More important in the long run, it revised the antiquated Corporations Law and created the Commissão de Valores Mobiliarios, CVM, similar to France's Commission des Opérations de Bourse and America's Securities and Exchange Commission.

The market, because of these reforms, can now become an important source of capital for more firms and the experts say it is warming up for a take-off. This may be important to Europeans because one of the institutional reforms opened Brazilian markets to foreign investors and although the response has not been great—about $50 million—much of it has been raised in Europe.

The money market, known in Brazil as the "open" market, has also received official attention. It trades mostly government papers and short-term money and, from the government's point of view, it is an important vehicle for controlling the money supply.

Several market operators tried to take advantage of the government's mismanagement of the money supply in 1975 and nearly went bankrupt. The Banco Central, fearing the loss of confidence a series of failures would have caused, moved first with rescue operations and then with clean-up reforms which have established a solid basis for the execution of the government's monetary policy.

Monetary Correction

To control inflation which was running at 50 per cent for the first half of 1977, the government was forced to blend monetary policy with a series of other measures, including changes in the monetary correction indexing system, one of Brazil's most important financial innovations.

Finance Minister Simonsen argues that monetary correction builds in inflation and has made two attacks on the index. The first gave the government the freedom to exclude price increases deemed caused by unusual phenomena such as frosts or floods, and the second allows it to decrease the weight of a product in the index when its price rises too quickly. Both modifications allow the government to arbitrarily set monetary correction below the rate of inflation so that debts and those prices—such as rents—which are adjusted according to the monetary correction index, lag behind instead of refueling inflation.

Price increases are now dipping below the 40-per-cent per year level.

—K.F.

Government Handling of Economy

BRASILIA (IHT).—The Brazilian economy is at last beginning to emerge from the worst traumas of the oil crisis. Thanks to soaring coffee prices and a savage clampdown on imports, the country might register a trade surplus this year. A smaller balance of payments deficit is anticipated, there is less heavy reliance on foreign borrowing than a year ago and there are the first signs that inflation is beginning to subside. The price has been a cutback in the government's ambitious spending programs and a slowdown in industrial production growth.

Brazil is not out of the woods yet. If the 1975 frosts in the state of Parana have enabled the Brazilians to demand almost any price for their coffee this year, the phenomenon looks like a short-lived one—despite vigorous coffee buying by Interbras, the state coffee trading organization. As the country's trade balance improves, growing pressures can be expected from other countries for a liberalization of present import restrictions.

Facing growing complaints from the country's business community and congressional elections in a year, the government may well be tempted to relax its anti-inflation policies, although with much of the substitution program in raw materials and capital equipment well under way the worst should now be over.

Overheated

When the Geisel government took office in 1974, it inherited not only the impact of the oil crisis, but also the consequences of an overheated economy. Between 1973 and 1974, the country's oil bill quadrupled to nearly $3 billion. Imports actually doubled to some $12 billion. With the economy turning at over 10 per cent a year, staggering increases were registered in the imports of fertilizers, chemicals, steel, nonferrous metals, plastics and capital goods. Inflation was creeping up again, and the foreign debt had reached $12 billion.

Now, after four years in power, the government has turned 1974's trade deficit of $4.5 billion into what is expected to be a small surplus in 1977. With imports holding at the same level for three years in a row, foreign borrowing has fallen to some $4 billion a year from the $7 billion reached in 1975 and 1976. Economic growth has been irregular, with rates ranging from 4 to 9 per cent. Debt servicing has soared to some $4 billion a year from $2.5 billion in 1973 as the foreign debt has increased to $30 billion from $12 billion. Inflation is only now beginning to subside after reaching 46 per cent last year.

During this period, the government has launched enormous investment programs aimed at reducing its dependency on raw material and capital equipment imports, attracted $1 billion in foreign investments every year and maintained its ambitious export efforts.

Controversial

The government's handling of the economy has, however, been controversial. When most other countries were trembling at the implications of the oil crisis, the Brazilians still believed they would not be affected by it. By passing on the oil price increases to the consumer and slapping on enormous import tariffs, the government unleashed the biggest inflation wave since the early 1960s. When budget resources were already strained and the foreign debt uncomfortably high, the government threw itself into huge investments aimed at securing energy independence and self-sufficiency in raw materials and capital goods.

With little coordination between the various ministries, no serious attempt to relate projects to available resources and growing bureaucratic interference, the whole economic system was threatened. By refusing to accept a slowdown in economic growth at the beginning, the government is now being forced to take much more drastic measures than would have been otherwise necessary.

Positive and Negative

All too often critics will single out the negative features of a policy without recognizing the positive ones. A slowdown in the economy might have been desirable, but how was the government then going to supply the million new jobs required each year for young people entering the job market, finance improved welfare services and push ahead with the development of the poorer regions of the country? A less restrictive policy on imports or a more moderate approach towards import substitution might have made better economic sense and placed less strain on the trade balance and foreign lenders. But how would the country have balanced its trade accounts? Passing on the oil price to consumers may have fueled inflation, but failure to do so would only have increased consumption.

Even the government's unflagging optimism could be defended on the grounds that a country seeking loans and investments abroad cannot afford to express doubts about its future.

There are undoubtedly some lessons to be learned from the experience of this government. It is not possible to do everything at the same time without creating serious problems regarding human, industrial and financial resources. Government attempts to plan the economy through investment incentives, loan subsidies and import controls can totally clog up economic development. Excessive centralization and bureaucracy create delays and breed inefficiency. Critics argue that only by opening up the Brazilian market to foreign exporters will domestic industry become internationally competitive.

—M.P.

Energy: Hopes Lie in the Long Term as Nation Develops Resource

BRASILIA (IHT).—When the Middle East oil producers raised their prices four years ago, they placed Brazil in an extremely difficult position. Here was the only major landmass which was not producing important quantities of oil and gas in the middle of an industrial development program that could only lead to a greater dependence on hydrocarbon imports.

The supply of firewood, which once accounted for almost half the country's energy requirements, was not increasing. Coal resources were extremely limited. The new industries that were growing up were heavy consumers of fuel oil. Communications within this huge country have been based on road and air traffic rather than rail and river transportation, and the emerging middle class was snapping up the cars produced by the fast-growing automobile industry.

By 1973, oil consumption already totaled 37 million tons, 46 per cent of all energy requirements, and by 1985 it is expected to reach as much as 67 million tons.

More than 80 per cent of that oil must be imported. Brazil's oil bill soared from $470,000 in 1972 to $3.8 billion in 1976.

Price Increases

Oil went from little more than 10 per cent of the country's import bill in 1972 to more than 30 per cent last year.

As if this was not enough, the government decided to pass on these price increases to the consumer and so sparked off an inflation spiral reminiscent of the days before the army takeover.

In addition, domestic oil production had leveled off at around eight million tons a year since 1969, and the rate of oil discoveries suggested that even this production could not be maintained for very long. Coal production was minimal, and the limited reserves of poor quality. The country's first nuclear plant was not even functioning. Hydroelectric energy offered tremendous potential, but harnessing it was becoming increasingly costly because power stations had to be built on rivers farther and farther away from the main consumption centers.

So it was hardly surprising that an oil discovery in 1975 in the Campos basin not far from Rio de Janeiro was heralded by the government as if it were the country's salvation.

Brazil's energy situation appeared more serious because of government policies. Other countries heavily dependent on oil imports have cut back growth to solve their inflation and balance of payments problems. Brazil initially tried to ride out the crisis. Rather than endanger the million jobs needed each year for the country's fast-growing population, the government maintained a high-growth policy. At the same time, it launched massive investments in the hydroelectric and oil sectors that were bound to strain the country's financial resources and further aggravate the trade deficit. Only during the last year has the government been forced to recognize that it cannot achieve everything at once.

Improved

However, the situation has already improved. Offshore exploration launched by Petrobras in the late 1960s is at last paying off with a series of discoveries in the Campos basin. Development may be taking longer than originally expected, but Brazilian oil production will now at least be maintained, if not increased. Special provisions have been made to facilitate the purchase of foreign equipment for the field, and the government has agreed for the first time to allow foreign oil companies to explore offshore on a risk-contract basis. Under the first series of contracts, British Petroleum, Exxon, Shell and the ELF/AGIP consortium acquired exploration rights. Applications from some 15 companies are under consideration for a second concession round.

Too Soon

It is too soon to judge how effective the oil exploration and development program will be. The government now figures that the country's oil production could reach as much as 79 million tons in 1986 and make Brazil self-sufficient. It expects to reach 26 million tons as a minimum.

Progress in the coal sector has been modest, with annual output still little more than three million tons. Exploration found that coal reserves in the south total at least 30 billion tons—10 times previous estimates. Another 60 billion tons of lignite is lying in the Amazon. Brazilian coal is not of very good quality, but great hopes are being placed on a giant gasification plant being built at Porto Alegre.

Perhaps the most solid ach ments have been made in tricity. Huge investments i droelectric dams have incr total generating capacity to 23,000 megawatts last year 15,000 in 1973, virtually al growth coming from hydr opposed to thermal units, now represent only 15 per of the total. Because of projects such as the Tucurui on the Tocantins River an world's largest dam, the I with its 12,600 megawat power, on the Paraguay b hydro capacity will have t by the late 1980s.

With new water power c increasingly from far-off Electrobras will be turning in ingly to nuclear-generated tricity in the main consum areas. This is why the Bra government signed its cont sial deal with the West Ge to build eight 1,300-meg light-water reactors by the 1990. The first Brazilian actually to produce elec will be a 626-meg Westinghouse reactor due to onstream next year. The German plants will be ready by about 1983.

Slowdown

The other major encou factor is the slowdown in consumption. Although oil sumption grew at 10 per year between 1971 and 197 the next five years it is ex to increase no more than cent as a result of the slo in economic growth, the intr tion of energy-saving me and the switch to other sources.

Brazil's main hopes still l much in the long term. if it makes no major oil discoveries, it will always ma an edge over other countr the electricity field. It is es ed to have as much as megawatts of potential power available. And in th clear field, recent discover uranium and thorium sugge the country will one day b sufficient in this sector, esp if it moves onto fast-br The government is also great hopes on using d sugar as fuel.

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Trade Surplus Is Brought Into Sight During a Record Year

(Continued from Page 1.)

export performance has been impressive. Basics such as coffee, soya, and sugar lead the list, but iron ore and a whole mix of other agricultural products bring a total export figure of some $7 billion.

Perhaps more remarkable has been the growth of industrial goods, which now form 35-40 per cent of the whole. In 1973, only 23 per cent of the total were non-basics. This sector is now led by automotive products and shoes and textiles, with a whole range of machinery (mostly low technology) and even services (notably transport and construction) making up the rest.

The major multinational automotive manufacturers operate in Brazil, and exports of motor vehicles and parts have risen from $42 million in 1968 to $514 million last year. Exports of $700 million are anticipated this year, boosted by sales of tractors to Africa. General Motors, Ford, Chrysler, and VW—and more recently Fiat as well as truck manufacturers SAAB-Scania and Mercedes-Benz—are all here.

Engines and parts shipped from Brazil are used in factories around the world. Brazil has also been successful in selling complete vehicles to African, Middle East and Asian markets.

Textiles and shoes have been another area of extremely rapid growth. From only $17 million ten years ago, export sales of textiles amounted to $397 million last year. Shoe exports were worth $190 million last year, compared with only $8 million in 1970.

Energy Imports

As Western Europe has discovered, if there is a major energy gap, it does not matter how dynamic the economy is if most of the energy for growth has to be imported. And this is the case of Brazil. Although Brazil has abundant hydroelectric resources, the country produces only 20 per cent of its needed oil, and the whole of its transport system is based on costly trucking. Besides oil, Brazil still imports large amounts of fertilizers and more than 60 per cent of its nonferrous metals, notably copper and aluminum. For although its economy has rapidly advanced in some respects, expansion has been led by the consumer industries, notably motor and textiles. Only recently has the heavy goods section begun to contribute to the economy.

Brazil's success in undercutting local manufacturers in markets in the developed world—and in some cases wiping them out—has brought about a new and potentially dangerous situation for the country. For what Brazil can do, so can the next low-cost producer to emerge from the Third World. Brazil's markets are now being threatened by products from Southeast Asia, and undoubtedly some African competitors will emerge before long.

Faced with growing unemployment in their own economies, the developed countries are looking for new ways to curb imports from countries such as Brazil. They are examining Brazil's various incentives and tax relief schemes to discover if these measures transgress GATT or other regulations.

Faced with stagnation in Western European and North American markets, Brazil is now working to develop new markets in Africa, the Middle East and Eastern bloc countries.

This year has been an exceptional one for two of Brazil's major products—coffee and soybeans.

Because of the frost two years ago and the consequent shortage of fresh coffee beans, the limited stocks increased enormously in value and brought a massive windfall profit to Brazil. In the first half of this year, coffee earned $2.15 billion, compared with $2.2 billion for the whole of last year.

Brazil still has a lot to learn in commodity trading, however, and large amounts of money have been lost as well as made. Bankruptcies have not been unknown in the coffee wholesale business, with dealers caught out when the price dropped.

The harsh winter in the northern hemisphere and low North American stocks forced the price of soya to very high levels in the first quarter of this year. But lack of experience as well as greed resulted in a serious miscalculation being made. Brazilian farmers and wholesalers held too long onto stocks. At least a million tons of soybeans—out of a total export quota of three million tons—still remain unsold.

On the other hand, other nations with wide open spaces, such as Argentina and some African countries, are beginning to plant soya in a big way, so the golden years may be over for Brazil.

With the prospect of a bumper crop in the United States well above last year's, the price has fallen fast. Brazil's wholesalers, short of proper storage space, face serious pest and weather damage problems as well. Soya earnings will be much less than they might have been this year, but the crop will no doubt be a major export earner for some years to come.

The price of sugar, of which Brazil is a major world producer, has been low this year, and the other great basic, iron ore, was caught in the low level of world economic activity and also earned less than was hoped.

But with such a variety of goods available, if large amounts of money are not made from one commodity, they can be from another. Several other new basics are expected to weigh more heavily in the mix of exports, while it will not be long before the nonferrous metals trade becomes balanced, led by alumina and aluminum. Home production of fertilizer will soon eliminate the need for such heavy imports as well.

Such crops as cocoa, castor oil, palm oil, orange juice, cotton, maize, black pepper and many others contribute to the export figures and will help to make Brazil the world's second largest food exporter this year for the first time.

Productivity is still very low, so there is enormous potential for increasing output. Even if it becomes more difficult to sell manufactured goods, Brazil's strategic advantage as a major food exporter makes her trading position in the world increasingly influential.

Foreign Debt High but Controlled

(Continued from Page 1.)

least five years and come with a two-and-a-half-year grace period to ensure that payments are well spread out.

But other factors are also important in explaining the banks' eagerness to lend to Brazil.

Brazil is paying top interest rates, which start at 1 7/8 per cent per year over LIBOR, higher than countries such as Argentina and Colombia are paying.

Moreover, international banks have a great deal of money on hand. The slow economic recovery in Europe and the United States has kept demand for loans low, and Baring Brothers managing director R.D.C. McAlpine said in Sao Paulo recently, "Brazil has been able to borrow so successfully this year because of international liquidity."

Perhaps these factors are leading bankers to place more confidence in the indicators of Brazil's economic improvement than they ought. The balanced trade account is due largely to extremely high coffee prices—coffee earned $2.4 billion in the first eight months of this year, equal to its total receipts for 1976. But coffee prices are way down now and Brazil is not selling a pound.

Close to 60 per cent of Brazil's exports are agricultural and primary products whose prices fluctuate wildly. If their fortunes decline, the bright trade prospects will quickly fade.

Another factor of vital importance is the cost of borrowing. Chase Manhattan Bank calculates that a two-per-cent rise in interest rates would cost Brazil as much as a 13-per-cent increase in the cost of oil—Brazil imports 80 per cent of its petroleum. When will rates rise?

However, as Exim Bank's Mr. Beim points out, countries do not go broke and the worst that usually happens is that banks have to wait a little longer to get their money back.

In Brazil's case, they will certainly get their money back, and if they do have to wait, they will be collecting their high interest rates all the while.

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They have not been cheap. Finance Minister Mario Henrique Simonsen has estimated that rescue operations to shore up failing institutions or pay off their debts have cost well over $2 billion, of which about half is unrecovered, but their contribution to Brazil's economic growth is immeasurable.

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With little coordination between the various ministries, no serious attempt to relate projects to available resources and growing bureaucratic interference, the whole economic system was threatened. By refusing to accept a slowdown in economic growth at the beginning, the government is now being forced to take much more drastic measures than would have been otherwise necessary.

Positive and Negative

All too often critics will single out the negative features of a policy without recognizing the positive ones. A slowdown in the economy might have been desirable, but how was the government then going to supply the million new jobs required each year for young people entering the job market, finance improved welfare services and push ahead with the development of the poorer regions of the country? A less restrictive policy on imports or a more moderate approach towards import substitution might have made better economic sense and placed less strain on the trade balance and foreign lenders. But how would the country have balanced its trade accounts? Passing on the oil price to consumers may have fueled inflation, but failure to do so would only have increased consumption.

Even the government's unflagging optimism could be defended on the grounds that a country seeking loans and investments abroad cannot afford to express doubts about its future.

There are undoubtedly some lessons to be learned from the experience of this government. It is not possible to do everything at the same time without creating serious problems regarding human, industrial and financial resources. Government attempts to plan the economy through investment incentives, loan subsidies and import controls can totally clog up economic development. Excessive centralization and bureaucracy create delays and breed inefficiency. Critics argue that only by opening up the Brazilian market to foreign exporters will domestic industry become internationally competitive.

—M.P.

Roads Are a Main Problem for Vast Country

Since the Transamazonica was built largely on the basis of an aerial survey, bridges and embankments are frequently washed away and the road blocked during the rainy season . . . Certainly, moving goods by water or even air would prove cheaper in Amazonia . . .

RIO DE JANEIRO (IHT).—The "West was won" in the United States by the laying of thousands of miles of railroads. In Brazil, isolated regions of the country have been linked by the bulldozer, the scraper and the trailblazing truck driver.

In 1964, there were only 12,000 kilometers of paved roads in the whole country. It was impossible to drive to the Northeast, where a third of the population lives, without traveling many miles by dirt road and making several ferry crossings. Today, there are 70,000 kilometers of asphalt roads and more than a million kilometers of all types of highway.

Brazil can be criticized for relying so overwhelmingly on road transport. Thirty per cent of all export revenue pays the oil import bill. The proportion of goods carried by truck is a record 75 per cent with more than 40 per cent of the oil used for road transport.

One of the most controversial aspects of the road program has been the opening of routes in Amazonia, which forms more than half of Brazil. When the government took power in 1964, only the dirt Belem-Brasilia road existed—2,000 kilometers of road which could take up to two weeks to traverse in the rainy season. Now there are two other roads running south to north, both completed last year.

In all, 10,000 kilometers of road have been opened in Amazonia during the past few years, including the famous Transamazonica, running east to west.

Expensive

Building the Amazonian network cannot be justified on economic grounds alone. On some stretches, only four vehicles pass a day, and it is proving almost as expensive each year to maintain these roads as it was to build them.

In the early days, little attention was paid to drainage or the behavior of the rivers in flood periods. Since the Transamazonica was built largely on the basis of an aerial survey, bridges and embankments are frequently washed away and the road blocked during the rainy season. The non-asphalted roads can become quagmires for weeks on end between November and March.

The roads were not really built to carry heavy goods from point to point. Certainly, moving goods by water or even air would prove cheaper in Amazonia than taking the long haul by road.

'Steel Line'

Nor are roads the answer to the transport problems of a country aiming to be among the world's biggest steel producers and iron ore exporters and with millions of tons of agricultural produce to move hundreds, even thousands, of miles to the ports and cities. A 500-mile-long "Steel Line" railroad is to link the iron ore-producing regions of Minas Gerais with the steel works of Volta Redonda, with a branch running on to the industrial area of Sao Paulo. The line was announced in the first year of the Geisel government and was to have been completed within 1,000 days at a cost of $1 million.

One thousand days later work on the line was paralyzed. Instead of 80,000 men completing it, a few hundred are trying to save what has been built from the ravages of weather. Brazil's major construction firms, which imported millions of dollars of special tunneling and construction equipment, are faced with massive losses.

It is now forecast that the railroad will be ready by 1983 or 1984 at an eventual cost of $4.5 billion, which was the original estimate for 70 railway projects in a national modernization program. Like the Transamazonica, the "Steel Line" project was given the go-ahead on the basis of only preliminary surveys, and has experienced many revisions since.

Already very deep in debt, the country cannot afford to spend scarce foreign resources on the sophisticated equipment the "Steel Line" will require. Railroad projects are now confined to track upgrading and improvements to services in Parana state, where transport costs to the coast can add $80 a ton to farm gate prices of vital soys and other bulk products for export. Most goods are now carried hundreds of miles to the coast in small trucks.

Port congestion is another problem. Trucks can wait in line for up to two weeks at th[e] height of the harvest due to con[-] gestion and lack of storage spac[e]. The country boasts 50,000 kilome[-] ters of navigable waterways whi[ch] could move a massive amount o[f] goods. But so far very little i[s] moved either by inland waterw[ays] or along the 7,000-kilomet[er] coastline. It costs more than tw[o] cruzeiros to take one kilo by roa[d] from the manufacturing hea[rt], Sao Paulo, to the Amazonian ci[ty] of Manaus, and it takes a tru[ck] 15 to 20 days to make the roun[d] trip. It costs less than 60 centavo[s] to take the same kilo by water.

With a few exceptions, th[e] ports have been neglected. The[y] are still subject to control by nin[e] different government agenci[es] and bureaucratic delays and th[e] inefficient use of equipment hav[e] led most carriers to use the roa[d] services, even when they are man[y] times more expensive.

Some new ports have be[en] built and new equipment in[-] stalled, but they are geared t[o] the export trade rather than t[o] internal distribution, and are in[-] tended to help curb the massiv[e] oil import bill. An example [is] Santarem, where modern installa[-] tions, including two powerful im[-] ported cranes capable of shiftin[g] 200,000 tons of goods a year, hav[e] been installed. Last year the[y] moved a total of 240 tons. Eigh[t] massive cranes at the port [of] Itaqui, Maranhao, serve only tw[o] ships a week.

If the situation in the por[ts] is chaotic, the situation on th[e] inland waterways is little bette[r]. However, there are signs of prog[-] ress on the system which ru[ns] from Sao Paulo to the Rive[r] Parana and south to the Plat[e], the 1,500-kilometer Tiete-Paran[a] system. These rivers are grad[-] ually being harnessed for hydr[o-] electric power and locks are b[e-] ing built into each dam. By th[e] middle of the next decade th[e] system should be fully oper[a-] tional. Large craft will be ab[le] to travel from Sao Paulo [to] Buenos Aires, collecting agricu[l-] tural produce from an area [of] 400,000 square kilometers, a[nd] distributing oil and other pro[d-] ucts to the 80,000 people who l[ive] on the river banks.

Airlines

By contrast, Brazil's airli[nes] have had things pretty easy [for] many years. A 20-per-cent ann[ual] growth rate has been the nor[m] for the huge distances and la[ck] of fast rail service make air t[he] only option for the business tra[v-] eler. Seventy per cent of Braz[il's] air passengers using one of [the] four national airlines and [the] five smaller feeder services [are] in this category. There are 1[...] airfields in Brazil, with 72 ci[ties] served by jets.

In 1960, almost 500 towns w[ere] served by piston-driven aircr[aft] which did not require the soph[is-] ticated ground equipment a[nd] long runways as do the jets n[ow] used by the national airlin[es]. Last year, the five regional a[ir] taxi operators formed the R[e-] gional Air Transport Syste[m]. They now serve 130 cities a[nd] towns on a regular basis, and pl[an] to increase this to 400 within f[ive] years, using exclusively Brazilia[n-] made aircraft.

The tight foreign-exchange p[o-] sition is beginning to cause d[if-] ficulties for the four national a[ir-] lines, each of which carries roug[h-] ly the same amount of intern[al] traffic, with Varig being the s[ole] overseas carrier. They would l[ike] to purchase wide-bodied jets [for] some of the more heavily us[ed] routes, such as the shuttle s[er-] vice between Rio and Sao Pau[lo] and from these cities to Brasi[lia] and Belo Horizonte. But [no] funds are now available for t[he] purchase of new aircraft and [the] existing planes are being used [to] capacity. The inauguration l[ast] year of internal inclusive tou[rs] with a reduction of 40 per c[ent] on the normal fare, is also [in-] creasing demand on some rout[es].

—P.K.

Building Sector Staggers Under Government Cutback

SAO PAULO (IHT).—Brazil's construction industry is staggering under the government's anti-inflation austerity program, but the larger, more sophisticated companies are moving quickly to the international level. Supported by government incentives, Brazilians are winning contracts in South America, Africa and the Middle East, and, except for the most complicated projects, the country can rely on its own know-how.

To fight inflation, the government has cut back its building program and is squeezing credit, and the construction industry, now working mostly off old contracts, is gradually slowing.

The authorities tied up the purse strings on middle-class housing, for example, and Flavio L. Scaf, the secretary of the Brazilian Chamber of the Construction Industry, warns that house building will grind to a halt within a few months if policy is not changed. Housing starts in Brazil's nine major cities fell 34 per cent to 10,000 during the first seven months of this year, compared with the same period in 1976.

Major projects are affected as well. Construction of the "Steel Line" railway has almost ground to a halt. The railway, designed to carry steel and iron ore 800 kilometers out of Brazil's heartland, was a project given a top priority, but when a BBC television crew recently visited a construction site, it found cattle sheltering in a new tunnel almost the busiest beings about.

The slowdown has important social ramifications since the construction industry is a major source of jobs for the unskilled.

Carlos A. Lancellotti, president of Construtora Beter S.A., has cut his work force to 5,000 from 6,500 and estimates that activity in the heavy construction industry is off 20 to 30 per cent.

Beter is one of the companies doing work outside Brazil. "The domestic market is declining so we went abroad," says Mr. Lancellotti.

Beter has just signed an $80-million contract to build a 54-kilometer highway in Saudi Arabia. Mr. Lancellotti is very pleased with this, his first, foreign contract, and will go after more.

Beter is just one of about ten Brazilian companies working away from home, but they are not all working abroad because business is slow in Brazil. The Brazilian government is eager to export services and offers healthy incentives to induce cooperation. Income earned abroad is tax-free and low interest financing is available as are sales tax rebates and credits for machinery bought in Brazil for use on foreign jobs.

At the same time, Brazil has all but closed its doors to foreign construction companies. Morisson-Knudsen, the large American contractor, found it increasingly difficult to win contracts, and it sold its subsidiary to a Brazilian firm.

Except in some special cases demanding sophisticated technology, such as Sao Paulo's subway, Brazil already has the necessary know-how. Brazilian companies alone are undertaking all the civil construction of Itaipu, which will be the world's most powerful hydroelectric generating facility when it comes on stream in the mid-1980s.

—K.F.

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'Pragmatic' Foreign Policy Open to Question

Brazilian 'Third World' aspirations have met with suspicion from other countries, and there is little to show for its new African policy other than some trade agreements with Nigeria. Relations with the Soviet Union have not warmed and those with China exist in name only.

BRASILIA (IHT).—When President Jimmy Carter goes to Brazil next month, he is likely to find a very different reception from the near-royal treatment given to Henry Kissinger in February, 1976.

Brazil's relations with Washington, the main axis of its foreign policy, have deteriorated since the start of the Carter administration in January.

The Brazilian government was ill-prepared for the seriousness of President Carter's anti-proliferation and human rights platforms and took an anti-American stance from which it will be hard to withdraw.

A critical point was reached last March when Brazil snapped at what it considered American meddling and refused further arms aid and cut off military cooperation with the northern power. The United States remains Brazil's biggest trading partner and creditor, and the two countries share too many strategic interests in the Atlantic to risk a total falling out.

Other Issues

But there are still other issues outstanding. Most important is the confrontation over Brazil's nuclear energy deal with West Germany, signed in 1975. The United States is firmly set against the inclusion of "sensitive" technology for enriching uranium and reprocessing spent nuclear fuel—the two processes which can be used to develop nuclear explosives—despite safeguards written into the agreement.

After a brief and acid meeting earlier in the year, the Brazilians and Americans have not resumed talks.

The human rights issue has aroused bad feeling among the Brazilian military, who insist that only Brazilians should concern themselves with the rights of their own citizens. President Ernesto Geisel had full backing from the army when he refused military aid from the United States on the grounds of a State Department report dealing with Brazil's domestic policies.

The reception given to Rosalynn Carter during her Latin American tour was merely polite. It threatened to be less than that when she accepted protest notes from students and prisoners and after she talked with two American missionaries in Recife who had been roughly treated by police there.

U.S. Interference

Despite some improvements made under Gen. Geisel's leadership on the human rights question, the issue remains a sore point and has not been helped by U.S. interference.

Brazil has in fact been moving further away from the United States for some time. Considered after the 1964 military coup to be America's "proconsul" in Latin America, it has gradually adopted more independent positions—dubbed "responsible pragmatism" by Foreign Minister Antonio Azeredo da Silveira. New trade arrangements and barriers put some of Brazil's economic interests in line with those of other Third World countries.

Military dependence declined and credits were left unused—the $50 million U.S. military-aid agreement which Brazil refused in March was a drop in the bucket considering the country's defense budget of about $2 billion.

Brazil normalized its relations with the Soviet Union and even with the Chinese. It withdrew its backing of Israel. It no longer took a neutral attitude towards South Africa and sought friends in black Africa, unexpectedly recognizing the MPLA regime in Angola. It ditched the United States as a nuclear partner and formed an unprecedented pact with the West Germans. And the country cemented stronger commercial relations with Europe.

However, this "pragmatic" policy has so far not succeeded.

Brazilian "Third World" aspirations have met with suspicion from other countries, and there is little to show for its new African policy other than some trade agreements with Nigeria.

Relations with the Soviet Union have not warmed and those with China exist in name only.

At the same time, the political gap between Brazil and much of Latin America has widened now that Spain and Portugal have democratic governments.

Within Latin America, where Brazil's military-cum-technocratic example has been closely watched, Brazilian influence is a source of resentment. Several of Brazil's neighbors, particularly the civilian presidents of Colombia and Venezuela, took exception to Dr. Kissinger's description of Brazil as an "emerging world power" and his statement of its "rightful shared role in international leadership."

Brazil and Argentina are renewing old rivalries with a thundering argument over who will benefit most from the power potential of the Parana River, which they share with Paraguay.

Argentina and Paraguay plan to build a dam downstream from one which Brazil and Paraguay are already building. About $1 billion has already gone into the Brazilian Itaipu project, which, with planned output of 12.6 million kilowatts and a total investment, including interest, of $7 billion, is the world's biggest and costliest.

The Argentinian Corpus project, if built on the scale planned by them, threatens to raise water levels, reducing the power of Itaipu and flooding areas in Paraguay and Brazil.

The argument came to a head in July with an exchange of angry notes between the two foreign ministries. Tripartite talks are now planned, but a solution by the end of the year—when Brazil wants to order the installation of 18 huge turbines—is far from certain.

Economic Influence

Gen. Geisel's growing friendship with Bolivia's Gen. Hugo Banzer Suarez has raised suspicions that Brazil wants to use Bolivia as a pawn in regional politics with the establishment of economic influence in that country as it has in Paraguay. Brazil's influence is also seen behind Bolivia's claim for an outlet to the Pacific, cutting through Peru and Chile.

Brazilian diplomats refute accusations of local imperialism, although the government would certainly not be adverse to having effective access to the Pacific via a friendly neighbor.

Although Brazil's superior economic power is exerting growing influence on its neighboring countries, Brazil's rush for frontier land is encroaching on their neighbors' borders.

An "invasion" of Brazilian farmers has been denounced in Argentina and Bolivia, and the Bolivians have set up farming colonies on their eastern border.

The rumors and fears of Brazilian territorial ambitions undoubtedly contain a large dose of paranoia, but they also underline the lack of integration of Brazil and the rest of the continent.

Brazil wants to use its influence to the best advantage, but so far the country has shown no interest in forming or participating in any kind of Latin American bloc. Certainly its potential role as an accepted leader in the region and in the Third World has not yet been fully realized.

—M.P.

Debate on Country's Future

(Continued from Page 1.)

clearly demonstrated his determination to push through the social, economic and political objectives he set himself when he entered office.

Gen. Geisel has already made great strides in humanizing the regime. The workers may have fallen behind in the inflationary battle, congressional deputies may still find themselves banned from political participation, students and professors can be excluded from universities and habeas corpus is still not respected. But the number of political prisoners has fallen dramatically, the use of torture has become less common, greater personal freedom is being exercised, the government has substantially improved social security cover and a brief attempt was made to raise the minimum wage.

Difficult Period

On the economic front, the government is going through a difficult period as the middle class begins to feel the disadvantages of the anti-inflation measures without yet appreciating their benefits. Higher taxes, less employment opportunities and a tightening up of installment-plan terms hurt when real wages are falling under an annual inflation of 40 per cent.

However, with the recent improvement in foreign trade and the slowing down of inflation, the economy may be in better shape by the time Gen. Geisel steps down.

The big question is what the government is planning on the constitutional front. There was a time when the liberals hoped that the President might actually send the military back to the barracks and restore the pre-1964 civilian regime. But nothing so dramatic can be expected from so cautious a man as Gen. Geisel.

With another year and a half to go before his term of office expires, the President is sounding out public opinion before coming up with his constitutional proposals. It seems almost certain that the military will continue to play an important role in governing the country, but the President may agree to the suppression of existing emergency powers in favor of a Gaullist style constitution. He may also authorize the institution of new parties.

The implementation of any constitutional reforms would, of course, fall not on Gen. Geisel, but on his successor. This is why the choice of the next president is arousing so much speculation in Brazilian political circles.

Dozens of names have been put forward as possible candidates—including a senator who wants to become the first civilian president under a new constitution—but the front runners were until recently Gen. Frota, as a representative of the anti-Communist hardliners within the army, and Col. Jean-Baptista de Figueiredo, the head of the Brazilian intelligence agency SNI, who has the backing of the Sao Paulo business community as well as some of the President's entourage.

At first sight Gen. Frota's dismissal seems to leave the way clear for Col. de Figueiredo's candidature. For some months now the colonel has been putting together a ministerial team under former economics minister Antonio Delfim Netto. Many people believe Col. de Figueiredo has the right blend of authority and liberalism to insure the implementation of Gen. Geisel's ideas. But when the President effectively nominates his successor next spring, he may well come up with another name. With Gen. Frota's attacks on Col. de Figueiredo, the President may propose a less controversial figure, or one even closer to his way of thinking.

The choice of a new president will certainly influence the nature of the constitutional changes which Gen. Geisel has promised to put before Congress. It may also affect the holding of parliamentary elections in the autumn of next year. Because of changes in the election rules introduced earlier this year, the government party ARENA (National Alliance for Renewal) is virtually assured of winning the majority in the Senate as well as all of the governorships, but the opposition Brazilian Democratic Movement, MDB, could well win control over the lower house. This explains the very serious thought being given to the abolition of the present two-party system in favor of a multi-party one which would enable moderates within the two parties to form a new coalition.

It is too early to judge how far Gen. Geisel is prepared to go. He may have gained the upper hand over the hardliners, but he cannot afford to ignore their feelings. If Col. de Figueiredo is chosen as the next president, he, too, will find it difficult to pacify the hardliners within the army and meet the demands of his business supporters without falling down on the social and political objectives set by Gen. Geisel.

The liberals should expect no revolutions in Brazilian political life, but there is still a chance that the free discussion introduced by Gen. Geisel will eventually result in a move towards more democratic institutions.

Major Industries Gearing Up to Meet Exports, Domestic Needs

Agriculture

SAO PAULO (IHT).—"Boom" seems to be the word for Brazil's agricultural exports, which, with a receipt of $4.1 billion, had wiped out the country's four-year-old trade deficit by June this year. The agricultural sector as a whole, however, is burdened with problems, and calls for changes in the sector have become more vocal in recent months.

Put into perspective, the boom is based on an increase in prices—the average price per metric ton for agricultural exports in the first semester of this year was $669.4, as compared with $429.1 for the whole of 1976. Volume of exports, which grew from 11.5 million tons in 1974 to 13.8 million in 1976, is virtually certain to fall this year. By June it had reached only 6.1 million tons.

Though soaring world prices are good for export earnings, they also boost domestic inflation. The shop price of coffee has gone up over four times in the two years since the frost, while chocolate has also risen along with the world price of cocoa.

Perhaps more important are the inflationary tendencies built into the agricultural policy itself. Food prices last year rose by 76 per cent compared with an overall inflation rate of 46.3 per cent. This is closely connected with the ever-growing sums that the government dishes out annually in the form of loans to the farming sector. Since 1969, loans have risen at an annual rate of 110 per cent to reach $12.1 billion last year. Meanwhile output has been growing at the more modest rate of 5 per cent a year.

In fact, according to Karlos Rischbieter, president of the Banco do Brasil, the value of gross farm product per unit invested has fallen from 11:1 in 1960 to 2:1 in 1976. In announcing that his bank was undertaking a critical review of present rural credit policies, Mr. Rischbieter acknowledged that subsidized loans at below-market interest rates tend to find their way into more profitable activities than farming. Two areas known to be favored by farmers are property speculation and the money market, themselves highly inflationary.

An earlier call for changes in agricultural policy had come from Paulo Vianna, head of the government's Production Financing Commission, which supervises the minimum price policy under which the government guarantees to buy up crops in the event of a price slump.

"Whatever path is taken with minimum prices will lead to inflation," Mr. Vianna stated. "If minimum prices aren't stimulating enough, we shall have recession. We shall export less and perhaps have to import more agricultural products. But if minimum prices are stimulating, we shall have inflation through the increased demand for loans."

In any event, the government raised minimum prices this year by an average 23.5 per cent, much less than the inflation rate. This caused a furor among farmers, who were already angered by credit cuts for purchases of tractors and farm machinery. If the government does eventually revise its agricultural policy, its relations with the farming sector are likely to deteriorate even further.

—BY NICK TERDRE

Autos

SAO PAULO (IHT).—It has been a lean year for Brazil's motor industry, the leanest since production started to soar in the 1960s to hit an annual rate of 17.7 per cent in 1974. Last year output rose by a modest 5.9 per cent, but this year it has dropped by 7.9 per cent.

The worst hit sector has been cars, which account for over 80 per cent of total output. In the first seven months of this year production fell by 43,500 vehicles, a drop of 9 per cent. Volkswagen has suffered the most with operation in Brazil restricted to cars and the mini-bus. Car production lines have also been slowed and overall output cut by 20 per cent at the big three American companies—Ford, General Motors and Chrysler.

The most satisfied car manufacturer is newcomer Fiat, now turning out over 6,000 vehicles a month and with a 6.1-per-cent share of the market. However, a layoff at Fiat for 10 days in September to allow stocks to run down suggests that a production plateau may now have been reached.

The motor boom in Brazil has certainly come to an end, if only for the time being. The majority of Brazilians do not have much money, and sales in the past had to be bolstered through generous installment buying terms. The onset of the present economic crisis has obliged the government to tighten up, withdrawing incentives for car production and reducing the maximum installment period from 36 to 24 months. This, together with the high cost of gasoline (now about $0.42 a liter) and the population's generally deteriorating financial situation, seems to have set the seal on falling car sales.

The greater emphasis now given to trucks and buses—with output rising by 33 per cent and 15.7 per cent respectively—has benefited both industry and public transport.

The foreign market does not look quite as promising as it has in recent times. Although manufacturers have assumed commitments under the Beflex program to export $6.2 billion in vehicles over a ten-year period, it is not likely that last year's total earnings of $450 million will be overtaken this year—up to June, exports were worth around $215 million.

One bright spot could be the development of motors running on 100-per-cent alcohol fuel, providing an enormous potential saving for Brazil's gas consumption. Both Chrysler and VW have developed alcohol motors which could be produced on a mass scale.

—N. T.

Textiles

SAO PAULO (IHT).—After a meteoric rise of exports in textiles and footwear which centered on U.S. and European markets, Brazilian goods are now facing increasing obstacles. Other low-cost producers are fiercely competing for the same markets while developed countries are erecting trade barriers in fear for their local industries.

Clothing and shoes are more expensive at home than they are abroad. With low domestic purchasing power, textile companies are pressing for a change in economic policy to reactivate the home market.

More than $700 million was invested in textile machinery between 1973-76 in an industry that employs 420,000 in 7,000 firms. The installation of machinery, a low-cost labor force and abundant raw materials, however, are not enough to prevent stagnating exports and low domestic demand. Some factories are working 30 per cent below capacity. Many are in debt beyond 50 per cent of total asset value, with interest rates running between 50-60 per cent a year.

The textile and shoe industries have spearheaded Brazil's drive over the last few years to increase exports of manufactured goods. Textile exports rose from $17 million in 1966 to peak at $445 million in 1974. Sales in 1975 amounted to $250 million, and last year fractionally less than $400 million. Cotton cloth, finished goods and thread worth $450 million will probably be sold this year, however. Sales for the first five months passed the $200-million mark. Nonetheless, world competition has likely made unattainable Brazil's goal of $1 billion by 1980.

Brazil also produces 30,000 tons of wool, mostly for export, and 90,000 tons of jute. Jute is mainly used to manufacture coffee sacks, but the low coffee production of the last few years has hit jute producers hard.

Synthetics are also undergoing hard times. Although 300,000 tons of fibers were produced last year—37 per cent up from 1975—high prices have brought on a large build-up in stock.

In shoes, only 130,000 pairs were exported in 1966, as against 37 million pairs last year, with 80 per cent destined for the United States. But with U.S. shoe imports at 51 per cent of the market at the beginning of this year and with their shoe factories closing down, the United States has imposed a global quota of 265 million pairs. Brazil's share is 21 million pairs.

Brazil earned $175 million from shoe exports last year and is targeting in on the $800-million-dollar market earned by Spain and Italy, the world's major exporters. With Brazil's low wages and abundant raw materials—11 million hides produced last year, with exports usually running between 15-20 per cent—the country can produce products more cheaply. However, Taiwan, South Korea and Hong Kong have even lower wage scales and are competing heavily for the U.S. market.

With the EEC and the United States, which until now have been Brazil's major markets, increasingly taking preventive measures to protect their own industries—in the last five years 1,500 textile factories in Europe and 250 shoe factories in the United States have closed—Brazil has turned with some success to new markets in Africa, the Middle East and Eastern Europe. Each of these regions sells substantially to Brazil, mainly oil and minerals, and Brazil is anxious to increase its exchange of manufactured goods.

—P. K.

Forestry

SAO PAULO (IHT).—Brazil will be a major pulp supplier to Europe one day but it is going to have to sweat to break into the market.

The country has the advantage of low-cost wood because trees grow so fast in its tropical and sub-tropical climates, but right now the world market is overflowing with pulp and papermakers are reluctant to switch to a new supplier with a new product.

In 1975 Brazil embarked on an ambitious program to develop its pulp and paper industry. Plans, based on technology imported through joint ventures with some of the world's major pulp and paper companies, are aimed at self-sufficiency in paper and two million metric tons of pulp exports per year by 1980. Brazil was to become a net pulp exporter this year.

The plans have taken effect remarkably well and Brazil now has large export capacity. However, it produces mostly short-fiber eucalyptus pulp which has different characteristics from the long-fiber pine pulp most common in Europe, where Brazil expects to develop her major market.

"Short-fiber pulp is different but not inferior. For some uses it is better than long-fiber pulp," explains Fernand A.S. Camargo, executive director of Klabin do Parana, Brazil's largest integrated pulp and paper producer.

Eucalyptus pulp bleaches whiter and makes more opaque paper than long-fiber pulp, which produces a stronger paper. Eucalyptus pulp makes fine writing paper and is satisfactory when strength is not important, but pine pulp makes better newsprint, for instance, because greater strength allows printing presses to run faster.

Changes will be forced on European papermakers by their traditional pulp suppliers, the Scandinavians, who are integrating their mills. They plan to sell paper, not pulp, and the papermakers are going to have to look for new suppliers. This will give Brazil the chance it needs.

In the meantime, however, Brazil's pulp producers are hurting badly. Exports of 195,000 metric tons were expected this year, up 39 per cent over 1976, but while production during the first half rose by 12 per cent to 615,153 metric tons, exports actually fell about 40 per cent. Stocks are piling up and idle capacity is growing. The industry is facing up to some tough years.

—K. F.

Industry

SAO PAULO (IHT).—After 50 years of extraordinary expansion yielding an average annual growth rate of 6 per cent, Brazil is now the eighth largest economy in the Western world, with a gross national product of $120 billion. This achievement has led some observers to ask: Should Brazil still be classified as a Third World nation? Has it not qualified as a member of that select club of developed nations?

The answer still is no. For the problems faced by Brazil are still typical of the developing world. First of all, at least a fifth of the nation—or 20 million people—are still outside the consumer society. They lack education, food, housing, information—in fact, almost everything associated with the modern world.

Second, the country is still heavily dependent on the developed nations. Brazil has made enormous strides in the manufacture of durable and non-durable consumer goods. The country now annually produces 1 million new vehicles, 3 million radios, 1.2 million refrigerators, 500 million bars of soap, 100 billion cigarettes, and so on. But Brazil still depends heavily on imported equipment and machinery to produce these goods.

At present, Brazil is making great efforts to speed up the local manufacture of capital goods and thus carry out what is called "the second phase of import substitution." Gains are gradually being made in this field. According to Angelo Calmon de Sa, Minister of Industry and Trade, "Brazilian manufacturers now provide 65 per cent of the equipment for projects approved by the Industrial Development Council. This is much better than three years ago, when the proportion was just 51 per cent."

However, Brazil's import bill for machinery and equipment is still heavy: an estimated $3 billion this year, as compared with $3.6 billion in 1976 and $3.9 billion in 1975.

One of the problems is the conflicting nature of the government's objectives. With the traditional lack of sufficient investment capital and the high level of the foreign debt now standing at $30 billion, Brazil urgently needs foreign financing. However, foreign banks frequently demand that a part of the loan come in the form of suppliers' credit, that is, loans tied to the importing of goods from the country providing the loan. This greatly annoys Brazilian manufacturers when they are in a position to produce the goods inside the country.

—N. T.

Mining

RIO DE JANEIRO (IHT).—Brazilian exports of iron ore and manganese together brought in more than $1 billion of badly needed foreign exchange last year, 10.5 per cent of the country's export effort. But during the same period the country was forced to buy $610 million worth of pig iron and steel from abroad, $414 million worth of nonferrous metals, notably copper and aluminum, and $202 million worth of fertilizers.

With its huge land surface, Brazil has undoubted potential as a mining power, but for the moment that potential remains unexploited.

However, with the country's growing appetite for minerals posing an increasing strain on the balance of payments, the government is at last giving the mining sector the attention it deserves. It is being supported by some 50 or 60 foreign companies which until recently preferred other operating areas but which are now beginning to appreciate the advantages of a strong domestic market and a stable political climate.

Thanks to projects under consideration, Brazil could become one of the world's leading producers and exporters of iron ore, bauxite and manganese, reduce its dependence on nonferrous imports and become self-sufficient in fertilizers, steel and aluminum. By the early 1980s mining could be making a healthy contribution to the country's balance of payments.

The targets of the Second National Plan are impressive. Iron ore production was to reach 138 million tons in 1979 from 60 million in 1974 with exports inc[…]ing to 98 million from 44 mil[…] steel production to reach 22.3 [...]lion tons from 8.6 million, al[…]num output to 190,000 from [...]000, copper 60,000 from 1[…] zinc 58,000 from 33,000 and [...]tilizers 1.2 million tons [...] 585,000.

But since these expansion p[…] were drawn up in the aftern[…] of the oil crisis, the situation[…] changed. World mineral p[…] have fallen back. National[…] mand for steel, aluminum[…] nonferrous metals has grown[…] fast than expected. Foreign c[…]panies have had second thou[…] about the wisdom of placing [...]stantial sums of money into [...]ing operations which are gen[…]ly under Brazilian state co[…] Even the Brazilian governm[…] which for several years trie[…] spend its way out of the econ[…] crisis, has at last had to a[…] that the resources of the cou[…] and the patience of internat[…] bankers have their limits. [...] the first two years of the 19[…] National Plan, the country i[…] ready well on the way to me[…] the objectives set for fertili[…] zinc and aluminum. But se[…] delays are occurring in the [...] sector. Of the country's [...] Amazonian bauxite proj[…] Trombetas is going ahead, [...] Paragominas remains undec[…] The government is trying to [...]vage its huge Carajas iron [...] project following the withdr[…] of U.S. Steel. Brazil's new mi[…] ambitions may take a little lo[…] to realize than was once b[…] but a serious start has al[…] been made.

—M.

Tourism

RIO DE JANEIRO (IHT).[…] though Brazil comes to [...] when thinking of an exotic [...]tion, this country is not ye[…] the tourist map. Since it i[…]pensive and is so far from E[…] and the United States, it [...]ably will not be for some [...] to come.

Ten years ago, tourism se[…] to be an easy way to make[…]ey. However, although a few [...]tunes were made, a great [...] of money was lost in gainin[…] perience the hard way.

Today Brazil is at the [...] end of the market. It will [...] long time before the co[…]comes within the range o[…] mass package tour.

Expansion is limited by u[…]developed facilities and the [...] number of hotel rooms—onl[…] per 100,000 inhabitants, com[…] with Italy's 1,320, and 1,[…] the United States. Even t[…] double what was availabl[…] years ago.

Embratur, the government[…]ist agency, has set out to [...] Brazil a tourist center, but [...]out knowing quite how [...] about it. A total of 85 new [...] have been built, but virtua[…] of them are in or near R[…] Janeiro and Sao Paulo.

Besides being clustered tog[…] the hotels cater to the same [...] number of luxury tourist[…] businessmen. Hotel comp[…] have amassed debts of [...] 80 per cent of capital, and [...] are now in a critical situa[…] at least 30 of the new hote[…] reported to be on the bri[…] bankruptcy. Most have occu[…] rates of around 50 per cent [...] below the break-even point.

The airlines flying from E[…] and the United States enjoy [...] of the highest per-mile far[…] the world. Since they op[…] at fairly high capacity with [...] passengers paying full fare, [...] are not eager to help hotelie[…] by encouraging cut-price [...] charter business which [...] erode their healthy profits [...] is there a strong group of [...] tour operators, or middle-[…] hotel owners pressing for th[…]uation to alter.

In 1975, 340,000 Brazilian [...]ists spent $450 million a[…] On the other hand, the 4[…] tourists who visited Brazil i[…] year spent only $110 million[…] deficit on the tourism ac[…] was contributing significan[…] Brazil's substantial balanc[…] payments problems. Some[…] had to be done.

It was decided that every [...]zilian who could not prov[…] was leaving the country for [...] than pleasure had to depos[…] equivalent of $1,000 for one [...]

No interest is paid on [...] money, which means that [...] cash has devalued by at le[…] per cent when it is returne[…]

This measure has cut t[…] numbers by only 7 per cent [...] number claiming some so[…] exemption has been grad[…] growing, for as the govern[…] tightens up on one cat[…] another is found. Travele[…] some Latin American cou[…] are exempt from the schem[…] the moment for fear that [...]liatory measures would be [...]

Many Brazilians trave[…] Buenos Aires to take adva[…] of cheaper prices there. A s[…] goes that poor Brazilian to[…] go to Argentina, the mi[…]classes to Europe or the U[…] States, but only the very [...] can afford a vacation in B[…] There is something in this. [...] and meals are very exp[…] here, and an Embratur stud[…] found that only 20 per ce[…] Brazil's 110 million popul[…] are potential tourists.

—P.